

Considerations on the Economic Impact of the 2010 FIFA World Cup on South Africa

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Mega-events are associated with significant positive implications such as enhanced international exposure of the host, improved infrastructure, increased tourist numbers, higher employment levels and tax revenues, greater feelings of patriotism among host region residents and integration of the host into the international community. Supporters of events have claimed that the occasions stimulate prominent economic gains for the host region. The economic and tourism growth that occurred in Barcelona following the 1992 Olympic Games is erroneously cited by proponents of hosting as an example of the potential benefits that an event can derive on the host. Those Games were not the sole driver of growth in the region.

An analysis of previous mega-events, demonstrated that net benefits were not a necessary consequence of hosting. Comparison of pre-event estimates of the economic impact and their actual effects are universally divergent. The observation was validated by the consensus academic opinion that economic impact studies systematically overstate the benefits of hosting, and underestimate the costs. Further, different forward-looking studies of the same event, calculate vastly different predictions. The tools for calculating the economic impact, specifically Input-Output Analysis and Computable General Equilibrium, do not provide useful predictions given their dependence on the inaccurate data. With 2010 cost data having continually increased since 2003, determining the appropriate inputs to an I-O or CGE is problematic. It was identified that the weight given to the multiplier effect was also a factor in the amplification of the expected benefits. Given the poor data sets available as inputs to I-O and CGE models, the study concentrated on conducting a comprehensive Cost-Benefit Analysis of the *determinants* of the economic impact of the 2010 World Cup based on the premise that the identification of the relative costs and benefits of staging the event was regarded as a greater contribution to the body of knowledge on the topic.

It can be expected that there will not be significant short-term economic gains; this study predicted a net cost of R8.4bn, which is marginally offset by short-term net intangible benefits. The short-term economic consequences of the 2010 World Cup are expected to be overshadowed by the long-term effects on revenues within the tourism industry. The image implication of hosting 2010 is the most salient factor in considering the economic impact of 2010, as an alteration in the national image can have long-term effects on FDI and tourism. It is however not a certainty that the international exposure that South Africa receives will be beneficial, in the instance that the World Cup is characterised by poor organisational measures or crime. The net impact of hosting is expected to be a function of the long-term benefits, which can be expected to exceed the short-term costs, and derive a cumulative net benefit from staging 2010. The World Cup is however unlikely to stimulate the economic growth rate above levels that would have occurred had the event not been held in South Africa.

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CHAPTER 1: INTRODUCTION

That the 2010 Fédération Internationale de Football Association (FIFA) World Cup is set to take place in South Africa in 2010 is a significant achievement for Africa, as the internationally accepted global game will have its showpiece event hosted on the continent. South Africa has won the honour to be at the focus of the world's attention for a month during June and July of 2010. The economic implications associated with hosting the event, which is only superseded by the Olympic Games in terms of prestige and logistical complexity, are unclear due to a range of factors. The preparations for the World Cup have been characterised by a great deal of rhetoric regarding the potential benefits of hosting. According to the CEO of the 2010 Local Organising Committee (LOC), Danny Jordaan: "the 2010 World Cup will continue to benefit South Africans after the tournament is over" (Herald, 2006: 4). LOC Chairman Irvin Khoza held that South Africa will not get another marketing opportunity like the World Cup for another 100 years and that it was a "chance to present South Africa as a dynamic and exciting place to visit" (International Marketing Council,¹ 2009). During the then South African President Thabo Mbeki's (2006) State of the Nation address, it was claimed that the World Cup "will make an important contribution to our effort to accelerate our progress towards the achievement of the goal of a better life for our people.., (and) will give additional impetus to our struggle to achieve Africa's Renaissance." Given such impressive proclamations, it is necessary to analyse their legitimacy for the sake of transparency in the allocation of government funds. Thus, the economic merits of 2010 as a public policy need to be assessed.

1.1. Economic, Political and Social Arguments for Hosting Mega-Events

In general terms, events "are spatial-temporal phenomenon, and each is unique because of interactions among the setting, people, and management systems" (Getz, 2008: 404). Mega-events can be defined as "major, short-term sporting festivals of worldwide status that are held on a regular basis" (Cornelissen, 2004: 47). They are major hallmark events

¹ The International Marketing Council (IMC) created and operate the 'Brand South Africa' Campaign.

that “are transitory, bring short-term international participation and attention and can have long-term consequences for the host city (or country)” (Chalkley and Essex, 1998: 187). Another definition offered by Roche (2000: 1) is that: “(they) are large scale cultural (including commercial and sporting) events which have a dramatic character, mass popular appeal and international significance.” Cornelissen (2004:47) divided mega-events into 3 distinct orders, based on their size, scope and appeal. First-order events are international occasions that have the widest reach in terms of prestige, attendance and publicity. Second-order events are also of an international nature, but they lack the scale of first-order events. Finally, third-order events only involve the participation of several countries and are thus less significant on a global scale. The FIFA World Cup and the Olympic Games are the only events regarded as first-order mega-events. The second-order includes the Rugby and Cricket World Cups, while examples of third-order events are the African Cup of Nations and the Asian Games.

The opportunity to host the World Cup is highly sought after by nations and governments. A region’s decision to host a mega-event is founded in the economic benefits that it is expected to derive (Baade and Matheson, 2004b: 334). Mega-events are “seen as leading to increased economic activity and creating new jobs through the net increase in demand for goods and services that they are assumed to generate” (Dwyer et al., 2005: 351). De Groote (2005: 10) agreed that mega-events are associated with stimulating economic growth beyond that which would have occurred without the event, due to increased tourist revenues and higher employment levels. Since the World Cup is known as a first-order mega-event, organisers and prospective hosts envisage “images of vast numbers of alien spendthrifts descending on the lucky host” (Baade and Matheson, 2003: 3). Characterised by the “commercial trinity of sponsors, advertisers, and television, football has demonstrated itself to be the ultimate global commodity” (Horne and Manzenreiter, 2004: 196), of which the World Cup is the most highly valued aspect.

The appreciably smaller international event, that of the 2003 ICC Cricket World Cup, which was hosted in South Africa was estimated to have generated “at least 1.2 billion rand for the South African economy” (Hassen in Baade and Matheson, 2004a: 1088).

Thus, it is evident that a nation could stand to receive a significant autonomous injection of economic resources from staging a successful Cup. Those cities or countries that bid to host an international event have a common objective, whether it is the World Summit on Sustainable Development, the Ryder Cup of Golf or the FIFA World Cup. They are looking to advertise their nation and to reap the economic benefits that are associated with both the event itself and long-term advantages of an improved international perception of the country or city that a successful hosting of the event is thought to ensure.

Kurtzman (2005: 61 – 62) listed the various advantages that being host of an international event can have on a city. They include: high media coverage, short-term employment, taxation benefits, infrastructural developments, direct spending, internationalisation of the city and its business patterns and a long-term growth in tourism. These are all reasons that motivate a country or a city to attempt to host an international event. “It is predicted that the positive spin-offs (of the World Cup) will benefit tourism, hospitality and construction industries, as well as a decrease in unemployment and crime rates in South Africa. Perhaps the most important and immeasurable social benefits are the furthering of national identity and race relations within the country” (Goliger, 2005: 3). The possible consequences of the event that are posited here instil a belief that hosting the World Cup can considerably aid South Africa’s development both socially and economically. If the speculations prove accurate, the net benefit of the event will be considerable. With the variety of potential positive effects of holding the event, the government and populace might justifiably be enthusiastic about the prospective benefits of staging the 2010 World Cup.

Irrespective of the potential economic merits of hosting an event, there are other reasons why a nation would want to do so. The motivations relate to the effects on the international reputation of the host and the generation of national unity. The tournament is an international forum for advertising South Africa as a prospective holiday destination, investment opportunity and a progressive, developing nation. Being a host for such an event “can render a favourable image in the international tourism and

business marketplace” (Swart, 2005: 39). Baade and Matheson (2004a: 1085) agreed that these events “put the country (or city) on the map” and provide significant international exposure to the host. Events can also be seen as occasions that serve to showcase the economic, political and cultural power of the host country or as a signal that a country has arrived as a major figure on the international scene. The World Cup attracts a global audience, and as such it is also an opportunity for national corporations to advertise their own brand, good or service to foreigners who will follow the tournament world-wide, as well as to the hundreds of thousands of tourists who will be travelling in the country during the event.

South Africa is currently faced with a problem that frequently confronts many nations that feel that they are being marginalised in the international community because of either a lack of or unfavourable publicity. Therefore, they endeavour to put their nation on the international stage, by hosting an international event. *The Economist* (2004: 28) addressed this issue with specific reference to the European Football Championships held in Portugal in 2004. These occasions were cited as “international coming out parties for small countries that fret about being on the geographic, political and economic fringes,” which is especially applicable to the South African 2010 context.

The hosting of a mega-event can be seen as a political tool to further the agenda of a ruling party or government. The World Cup can be used to communicate messages to the South African public “and the wider international community, partly with the purpose of shaping a new South African society, and partly with the aim of bolstering the so-called African Renaissance” (Cornelissen and Swart, 2006: 109). It is of further political significance that South Africa has been chosen as the first African nation to host the FIFA World Cup. This achievement contributes towards the idea that South Africa is a leader on the continent, in that South Africa was deemed the African nation most capable of successfully hosting the event. The 2010 World Cup is a “great occasion for the South African government to showcase what they have achieved since democracy” (Bohlmann, 2006: 7), and affirm its position as a leader on the continent.

The Economist (2004: 28) further claimed that “the economic arguments for hosting big sporting tournaments are largely spurious. The real reason for Portugal taking Euro 2004 (was) that sporting success seems to make people feel marvellously good.” Watching a national team that is playing at home against larger, richer and traditionally better footballing nations, and winning, will do a great deal towards national unity. This is what occurred in Portugal in 2004, and “what need is there for an economic boom if an entire country can experience even one moment of unadulterated joy?” (*Economist*, 2004: 28). Maennig and Porsche (2008) cited the “feel-good effect” as one of the most prominent reasons for hosting a mega-event. Dohmen et al. (2006: 9) claimed that the economic benefits of hosting are found in the populace’s perception that the event will lead to good economic conditions, so if the public perceives that the World Cup will contribute to growth, then it should do so.

South Africa previously experienced adulation whilst hosting a mega-event. The successes of the South African rugby team during the 1995 Rugby World Cup held in South Africa aided the development of national unity (Baade and Matheson, 2004a: 1095). The tournament was “hailed as a triumph of reconciliation and nation-building” (Eaton, 2002: 45). More than 10 years later, South Africa is still characterized by social, political and racial schisms; mega-events can be used as instruments for national reconciliation (Cornelissen and Swart, 2006: 109). Hargreaves (2000: 12) maintained that sporting events have the ability to foster nationalism, in that they act “as a point of coherence for national movements, to the extent that it is central to their culture.” Cornelissen (2004: 44) argued that mega-events can be “used to foster, advance or legitimize identities.” Sport can create an area of common cultural ground whereby the citizens of a nation can relate to one another; it allows members of society to engage when ordinarily they might not do so. The hosting of the World Cup in 2010 may in some respect aid in resolving these social problems, as the 1995 event is purported to have done.

1.2. *The Barcelona Effect*

The Olympic Games, the only other mega-event comparable to the FIFA World Cup, that was held in Barcelona, Spain, in 1992 is an event that saw the host experience significant economic, social and political benefits post the Games. As a result organisers of events around the world often cite the effect the Games had on Barcelona as a foundation for their bidding to host an event and in doing so, replicate Barcelona's successes. *The Economist* (2004: 28) referred to the "Barcelona Effect," as a foundation of any regions' enthusiasm to host a mega-event, and argued that the long-term benefits of the 1992 Olympic Games for Barcelona were unquestionable. The Catalan capital was showcased during the Games and gained an international reputation as a cosmopolitan and modern city. It was transformed from provincial back-water, living in the shadow of Madrid, into "one of Europe's most fashionable places for conferences and holidays" (*Economist*, 2004: 28). For example, the number of foreign visitors to Barcelona every year doubled between 1986 and 2000 (Brunet, 2004: 9). The benefits that Barcelona earned cause leaders in developing countries to imagine hordes of foreign tourists descending upon their nation or city and injecting vast amounts of money into the local economy (Baade and Matheson, 2004a: 1085).

Calvita and Ferrar (2004: 47) argue that Barcelona managed to achieve the transformation of the city in only ten years, what would have ordinarily taken far longer but for the hosting of the Games. The bid process began in 1981, and due to skilled political leadership, vast economic resources and the co-operation instigated by a common goal, the benefits of the Olympics were felt long after the event had finished. This is especially impressive as Barcelona was left to ruin after 20 years of *porciolismo*, which is the Spanish term for the abandonment of the city by administrators under the General Franco dictatorship (Calvita and Ferrar, 2004: 60). The Catalonia region was especially neglected as it fought on the Republican side, directly against the rule of General Franco during the Spanish Civil War (Hargreaves, 2000: 1). Therefore, in staging the 1992 Games, Barcelona focused on investment in infrastructure that was both of a very high quality and was most extensive throughout the city. Employment was

generated through the production and operation of the infrastructure (Brunet, 2005: 10). Investment projects included the construction of inner and outer city highways, an expansion of drainage and sewage systems (Calvita and Ferrar, 2004: 60), the development of telecommunications systems and two railway lines, and projects for the rejuvenation of run-down coastal areas, including a new marina and waterfront facilities (Chalkley and Essex, 1998: 210). Perhaps the success of Barcelona lay in the agenda of those political leaders who sought the “the homogenization of the city... the creation of a balanced and integrated Barcelona, without segregation, with social and territorial equality for all its citizens” (Calvita and Ferrar, 2004: 60). The Barcelona Model for urban transformation rendered the city benefits that have been sustained over the long-term. The model achieved widespread approval and has been replicated on an international scale (Balibrea, 2004: 205). The dedication to infrastructural development was founded in the determination to achieve social change. In addition to the strong social element in the transformation of Barcelona, there was an equally significant cultural agenda. A prominent objective of the Games and the urban renewal was to promote the importance and relevance of the Catalan identity within the context of Spain (Chalkley and Essex, 1998: 198). It is important to note that the transformation of Barcelona was the result of a larger operation, the General Metropolitan Plan, which began in 1976 (Calvita and Ferrar, 2004: 48). Marshall (2004:14) cited a six-sphere approach that was used in the regeneration of Barcelona, of which the Olympic Games were one aspect; other projects included the renovation of the ‘Old City’ and the ‘Plan 2000.’ Therefore, the claim that the Games singularly caused the long-term growth in tourism in Barcelona is disputable.

The Barcelona model for the organisation of mega-events must be applied concurrently with a program of urban transformation (Brunet, 2004: 12). Only full application of the model will allow for the host of an event to succeed to the extent that Barcelona did, the event will not singularly cause the required economic benefit. In addition to this, great emphasis was placed on exercising financial control over the Olympics, since the central Spanish government was concerned about the national budgetary constraints (Marshall,

2004: 17). Fiscal prudence was necessary for the long-term benefits to be felt and enjoyed, and not undermined by high levels of public debt.

The initial economic impact of Barcelona winning the right to host the Games was impressive: unemployment dropped from 18.4% to 9.6%, between 1986 and 1992; nearly half the level in the rest of Spain at the time. Of the rise in employment, 88.7% was reportedly due to job creation by the Olympics (Brunet, 2005: 8). Before the Games were held in Barcelona, tourism accounted for between 1 and 2 percent of the city's GDP; by 2005 tourism contributed towards 12% of GDP (ETOA, 2005: 11). The legacy of the Olympics was to ensure the city's strategic position within Europe, as well as the creation of new "public and private capital and permanent employment generated by the Olympic investments" (Bohlmann, 2006: 10). In addition, by 2004 both the housing market and the construction industry had seen steady yearly growth since 1992. During the same period, apart from 1993, Barcelona experienced new growth records every year, on all economic indicators such as employment, investment, income and attractiveness (Brunet, 2005: 8). The failure in achieving year-on-year growth in 1993 was attributed to the global slowdown, however, Calvita and Ferrar (2004: 60) revealed that Barcelona was not *as* adversely affected by the slowdown in comparison to other European centres.

The trends described here show a distinct improvement in the economic landscape in Barcelona both before and after the Games. Unfortunately though, the 'Barcelona Effect' is not a necessary consequence of being a host for a mega-event. The reputation of Atlanta was damaged following the 1996 Olympic Games that were staged there. Brunet (2004: 10) acknowledged that Barcelona was more of an exception than a rule. No other Olympic host city has come close to achieving the level of investment in infrastructure as a result of being a host as Barcelona did. The Seoul Olympics yielded the next best results, and it achieved only half the investment of Barcelona. Further, in spite of the so-called 'Barcelona Effect,' it is difficult to pin-point the Olympics as the primary cause of growth in the region. Long-term tourism growth in Barcelona since the 1992 "Games has been outstripped by other comparable European cities, such as Prague and Dublin" (Sure Travel, 2005). The growth in tourism in these emerging European capitals cannot be

attributed to their hosting of major international events, as they have not done so. Rather, they are simply the centres of nations that have previously been on the geographical, cultural and political periphery of Europe, and have become significant players in these fields as a result of their economic development. While Prague and Dublin have seen similar growth in tourism in comparison to Barcelona, the tourism growth is appreciably below that achieved by Venice and Lisbon during the same period. Tourism growth can be measured by the number of nights of accommodation provided to foreign visitors. *Figure 1* shows the growth trend in Barcelona in comparison to other European cities. The graph plots percentage change in the number of nights of accommodation demanded by foreign visitors, year on year against the index year of 1992. While growth in Barcelona grew steadily between 1990 and 1992, it fell away after the games, and then rose again in 1994. Conversely, Venice had constant growth from 1991 to 1994. While Lisbon followed a similar trend to Barcelona, the Spanish city lagged in terms of growth rates.

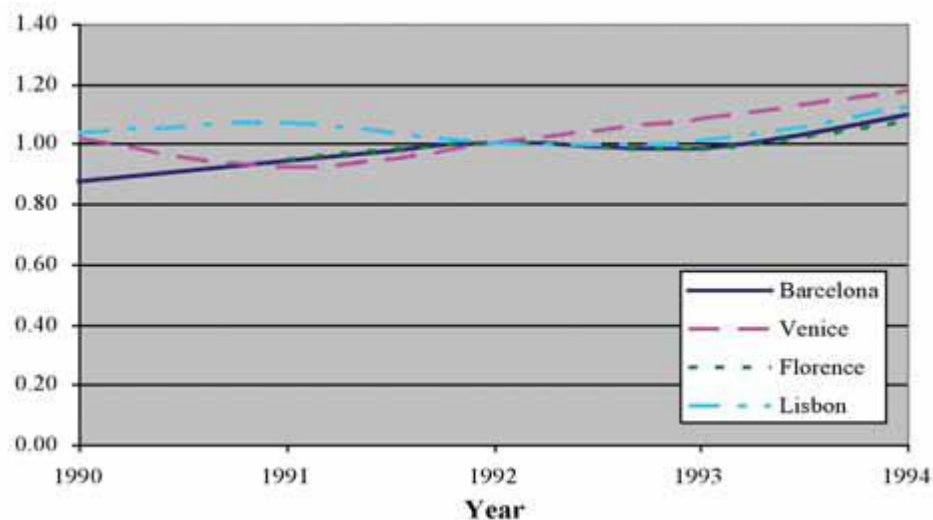


Figure 1. Growth in nights of accommodation demanded by foreign visitors.

Source: European Tour Operators Association (2005: 12).

So, in Barcelona “(t)he extent to which this growth is due to the Olympic Games is by no means certain” (ETOA, 2005: 12). It could therefore be the case that all the cities share a common set of circumstances that transformed their status as tourist destinations, and

Barcelona also would have experienced this change irrespective of its performance as host of the 1992 Olympic Games.

In light of this new understanding of the forces at work in the Barcelona during the 1980s and 1990s it seems naïve to state that the Olympics of 1992 single handedly transformed the city, or that any mega-event might ever achieve such a feat. Hence, the validity and even existence of the so-called ‘Barcelona Effect’ is called into question. From such an observation it is prudent to note that “(c)laims that sports mega-events provide a substantial boost to the economy of the host city, region, and country have been strongly criticized by most independent scholars” (Baade and Matheson, 2004a: 1088). Horne and Manzenreiter (2004: 187) agree that “virtually all case studies of the economic impact of either sport facilities or sport events have indicated that they are not the growth engines they purport to be.” The belief is founded in the notion that despite the potential benefits that are linked to mega-events, “they can also place excessive fiscal, management and social burdens on a country” (Cornelissen and Swart, 2006: 121).

The potential benefits of playing host to a mega-event, at first analysis, appear to be positive, the most prominent of which are the implications of enhanced economic activity in the host region. In addition, there are the positive political and social consequences that accompany the event. While the prospects of hosting an international event seem most appealing, it is not a certainty that South Africa will benefit economically. Given the significant financial costs of 2010, it is required that the event derives at least equivalent economic gains. The foundations for this uncertainty will be assessed by analysis of the effects of previous mega-events, other studies of the economic impact of 2010 and theoretical considerations for conducting economic impact studies. The observations form the basis for the two primary objectives of the research:

1. To quantitatively and qualitatively describe the potential economic impact of staging 2010, and analyse the determinants of the economic impact, within short and long-term time horizons.
2. To examine the merits of conducting forward-looking economic impact studies.

CHAPTER 2: PREVIOUS MEGA-EVENTS

2.1. *Economic Impacts of other Mega-Events around the World*

While the most recent FIFA World Cup was held in Germany in 2006, the problem in using the effects of that event as a gauge for the prospective effects of the 2010 World Cup lies in the vast differences in terms of the size and scope of the respective economies of South Africa and Germany. Germany was the world's 3rd largest economy with a Gross Domestic Product (GDP) of \$3320bn in 2007, while South Africa ranked 30th, and had a GDP of \$283bn in the same year (International Monetary Fund, 2008). Nonetheless, Germany 2006 is probably the best proxy for assessing the impact of the 2010 World Cup, in that the global exposure that South Africa will endure is most closely correlated with that which Germany experienced. Ahlert (2005) used a sport-economic simulation model called *SPORT*, which is based on econometric input-output tables for the German economy to estimate the economic impact of the event. It was determined that German GDP would increase by approximately €1.75bn as a result of the Cup, which only amounts to 0.05% of 2007 GDP. Further, it was predicted that 1.1 million foreign tourists would visit Germany for the Cup, spending a total of €909m. Notably, Ahlert (2005) predicted extended direct benefits from the event, with yearly contributions to the GDP resulting from the Cup, lasting until 2010. A German Chamber of Commerce report forecast that the World Cup would directly contribute €10bn towards GDP (Davis, 2006). Finally, the German Football Association's application to host the World Cup was supplemented by a study that estimated a net economic benefit of €2.5bn (Brenke and Wagner, 2006: 25). The range of estimates of the net economic impact of the event emphasise the difficulty in determining the monetary value of the event before it has actually occurred.

While Maennig (2007: 1) held that the “economic success of the World Cup begins with the financial success of the organizing committee, which was able to achieve a surplus of €155 million,” the profit-making ability of the organising committee is not the salient issue in an analysis of the net national economic impact. In assessing the consequences of

an event, a distinction needs to be made between the financial profits and the economic impact that the event has; where the latter refers to an increased level of economic activity that raises GDP to a level that would otherwise not have been achieved without the event. In terms of the former, it is possible that an event could earn a net profit, but could well have negative economic impacts for the economy as a whole that serve to outweigh those profits (Kurtzman, 2005: 49).

The 2006 World Cup attracted 2 million foreign visitors, almost double the predicted number. In a survey of 1300 tourists by the German Tourism Association during the event, 91% said that they would recommend Germany as a tourist destination (Davis, 2006). That appears to be a positive indicator and suggests that the event was an economic success, and would have contributed significantly towards GDP. However, the economic implications of the Cup were restricted to short-term effects; retailing, tourism and employment improved, however “they were not sufficient to have had any overall economic significance” (Maennig, 2007: 16). Davis (2006) reported that the Munich-based *German Institute for Economic Research* found that the event only contributed 0.25% of German growth for the year, which could be attributed partly to the lower than anticipated spending by the tourists who visited Germany. Collectively only €500m was spent, which was far less than predicted (Florek and Breitbrath, 2007: 80), a situation that was entirely unforeseen. Brenke and Wagner (2006:31) predicted that the World Cup would not cause any noticeable macro-economic effects, arguing that the €1bn invested in infrastructure was not substantial enough to stimulate the economy. However, the importance of Germany presenting itself in a more positive light was emphasised; as a result of the Cup, the national image of Germany was much improved, measured by the ‘Anholt Nation Brands Index’ (NBI), which evaluates a nation’s brand image. Following the Cup, the perception that Germany was “hard and cold (and) not a nation much associated with warmth, hospitality, beauty, culture, or fun,” was improved. Germany moved into second place on the NBI ranking list, while it had previously been in 5th position (Allmers and Maennig, 2008: 12). In this regard, the German World Cup appeared to be a success, despite the somewhat insignificant economic consequences.

The 2002 FIFA World Cup was jointly held in Japan and South Korea. While, as with Germany, these two nations economies are very different to South Africa's, a brief analysis of the event is useful for comparative purposes, in that it was the first World Cup to be held in Asia, as 2010 will be the first Cup held in Africa. The common factor between the two events is that the host nations are regarded as being on the periphery of the traditional footballing world (Horne, 2004: 1235). Before the 2002 event, economic impact studies showed significant benefits for both host nations. Szymanski (2002: 1) reported two predictions that were developed in Japan and Korea in the years leading up the Cup. The Korean Development Institute forecast that the net effect of the total investment for the Cup of \$2.6bn would be in the region of \$8.8bn. In Japan, the Dentsu Institute estimated that the World Cup would generate approximately \$11bn, with a prospective long-term benefit of \$26bn, increasing GDP by 0.6%. By contrast, the Dai-ichi Life Research Institute estimated that the World Cup would increase Japanese GDP by 0.3% (Horne and Manzenreiter, 2004: 193). Szymanski (2002: 6) contrasted the predictions of net economic impact with his own calculations which estimated net economic gains of \$4.85bn and \$8.89bn for Korea and Japan respectively.

Despite the pre-event estimations, Japan's post-World Cup economic growth in 2002 was 0.1% lower than in 2001 (Horne and Manzenreiter, 2004: 193). Clearly the pre-Cup estimates in Japan proved to be inaccurate as the event was followed by economic decline, as opposed to boom as the World Cup was hoped to instigate. Korea endured similar results. Kim et al. (2006: 93-94) observed that the benefits generated as a result of the Cup were more societal and cultural as opposed to economic; since the event was jointly hosted, it was posited that the economic impact was split between the two countries, and as such neither felt a significant effect from the event. The lack of economic benefits was not necessarily a disappointment for the Korean government, as their primary objective for hosting the Cup was not founded on economic grounds; "Korean Deputy Prime Minister Jin Nyum told journalists before the competition started that the World Cup was about 'the brand-making of Korea', rather than making money directly" (Horne and Manzenreiter, 2004: 193). Hence, for Korea, economic gains were not a necessary condition for regarding the overall occasion as being a success. Despite

the bureaucratic stance, a survey by Kim et al. (2006: 93) found that the lower than expected economic benefits were a large disappointment for local residents. The Korean National Tourism Organisation found that the World Cup had only added \$713m of value to the economy (Kim and Morrison, 2005: 233), even less than the effect of the 1988 Seoul Olympics which was said to have generated \$1.3bn (Lee and Taylor, 2005: 596). Thus, it is evident that the economic effects of hosting the first World Cup in Asia were far lower than was predicted, with the benefits coming largely in the form of increased global exposure for the host, and an opportunity to improve the international perception of the nation.

Since the only other first-order mega-event is the Olympic Games, an analysis of the economic impacts of the 2000 Sydney Olympics and the 1996 Atlanta Olympics will aid in understanding the economic implications for South Africa in hosting the 2010 World Cup.

Before the 2000 Sydney Olympic Games, Michael Payne, the IOC Director of Marketing, noted that “Australia (was) the first Olympic host nation to take full advantage of the Games to vigorously pursue tourism for the benefit of the whole country” (Haynes, 2001: 8). As such, the Games are a good example of a host nation for a mega-event that sought to use the opportunity to cultivate long-term benefits, which are most difficult to quantify fully. Similar to the preparation for the Barcelona Olympics, Sydney pursued “event-led urban regeneration with a strong prominence given to its sustainability credentials” (Chalkley and Essex, 2004: 8). The Olympics were used as a forum to uplift degenerated areas, with a strong emphasis placed on environmental responsibility.

Crowe and Madden (1998: 23) applied a Computable General Equilibrium Model (CGE) called Monash Multiregional Model Forecasting (MMRF) to simulate the benefits of the Games on the Australian economy. The impact on real GDP was estimated at A\$6.1bn, to be allocated over a 12 year period between 1994 and 2005. The majority of these benefits were to be felt in New South Wales (NSW), the state where Sydney is located. It would amount to an average yearly contribution of 0.36% to the state’s GDP. A study conducted

by KPMG, which accompanied Sydney's bid to host the Games, used an Input-Output Analysis that predicted the event would add A\$7bn to Australian GDP between 1991 and 2004 (Crowe and Madden: 1998: 1). NSW Treasury (1997: 13) also applied the MMRF and assumed that the benefits would span the same 12 year period as the Crowe and Madden study, and found that the expected economic benefit of the Games would be A\$6.3bn. Finally, employing the MMRF, accounting firm Arthur Andersen, in collaboration with the Centre for Regional Economic Analysis at the University of Tasmania, calculated a net economic impact of the Games of A\$6.5bn (URS Finance and Economics, 2004: 5-2). These pre-Games estimates developed by different entities were largely consistent with one another, a characteristic not evident in the analysis of either of the football World Cups discussed earlier, in that the estimates calculated were rather diverse, and all predictions of actual impact were proved inaccurate. It is interesting to note that despite the three studies using the same model, different results were derived, which can be attributed to the use of alternate exogenous inputs.

The data that was developed after the Sydney Games appeared to back up pre-event predictions. Szymanski's (2002: 9) research showed that while the economic impact of the Sydney Olympics may have been small, the publicity value was high and was the most significant implication of hosting the event. The Australian Tourist Commission (ATC) speculated that the Games contributed to the accelerated development of *Brand Australia* by 10 years. The shift of attention could be quantified by the increased activity on the ATC's website, *australia.com*, with visits up 700% on figures for the same period in 1999 (Haynes, 2001: 9). *Brand Australia* was launched in 1995; two years after Sydney was awarded the Games, it identified the need to broaden the Australian image by promoting the holiday experience and more than just the typical Australian themes and image. The ATC attempted to use the exposure from the Olympics to offer the international community an insight into the Australian way of life (Brown et al, 2002: 176-177). The efforts saw rewards for the improved Australian tourism industry, with an increase of 25% in the number of international passengers passing through Sydney Airport between 2000 and 2008 (Tootelian and Varshney, 2008: 3). While the figures may be seen as indicative of tourism growth, they are not supported by the observation of

the Australian Tourism Export Council which noted that the “Olympics had few long-term positive impacts beyond 2000 on the growth of Australian tourism. The impacts were short-term and were contained within a relatively tight geographic region ... As soon as the Olympics finished, we started to see a fall away in inbound activity. Australia went into three years of negative (tourism) growth” from 2001 to 2003 (European Tour Operators Association, 2005: 15). With reference to *Figure 2* it is interesting to note that the increased international visitors to Australia leading up to the Games, is mirrored almost identically by the growth in tourist numbers to New Zealand over the same period. Hence the role of the Olympics in generating interest in Sydney and thus a desire to travel there before the Games is dubious. Then, following the Sydney Games, visitors to Australia started declining, while those travelling to New Zealand continued to rise. Therefore, the efficacy of the Olympics in terms of generating increased tourism is doubtful.

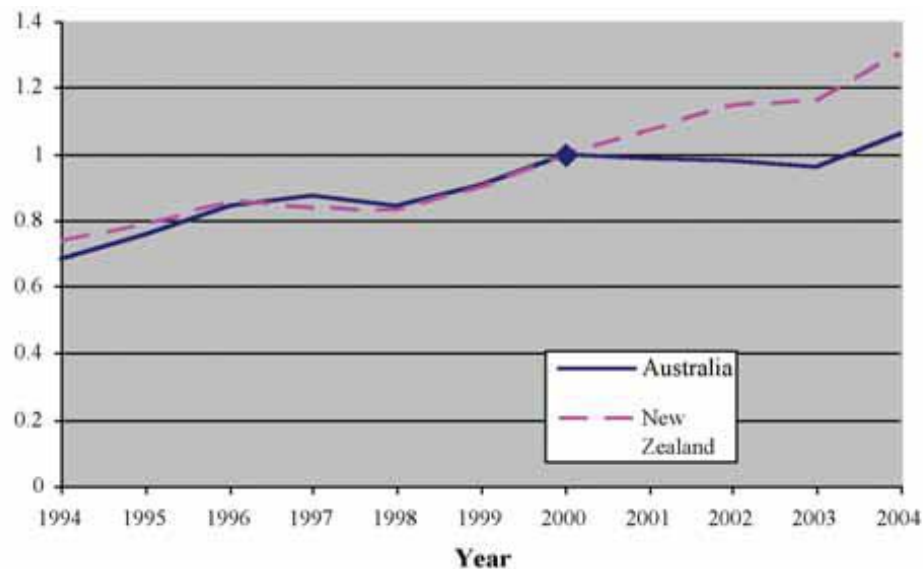


Figure 2. Percentage change in international tourist arrivals to Australia and New Zealand (base year = 2000).

Source: European Tour Operators Association (2005: 16).

In terms of the economic gains of the Games, Madden (2002) in an *ex post* study found that economic activity would be 0.3% higher in NSW over the twelve year period between 1994 to 2005 as a direct result of the Games. This figure is a 0.06% departure

from the pre-Games estimate as calculated by Madden and Crowe (1998). However, it was concluded that there was little effect on the other Australian states, and the broader national economy, as the benefits were felt predominately in the Sydney area.

The Atlanta Olympic Games of 1996 looked to emulate the successes of Los Angeles' hosting of the 1984 Games. Humphries and Plummer (1992: 3) forecast that the combined impact on output of the event would be an increase of \$5.1bn. The figure was arrived at through the use of the United States Department of Commerce's Regional Input-Output Modelling System. It was also predicted that "(t)he long-term impact of media coverage (would) positively affect tourism, conventions, businesses' location and expansion decisions, and foreign direct investment" (Humphries and Plummer, 1992: 4).

After the Atlanta Olympic Games, the event was reported to have generated a net economic impact of \$5bn. The Olympics "made Atlanta a household name around the world" (Atlanta Chamber of Commerce, 2006: 1). The Games were further said to have transformed downtown Atlanta, and instigated residential and infrastructure development that made attracting commercial development much easier. The claims were seen tangibly by the increase in international companies that were based there, which from 1996 to 2006 rose by 30% to 1700 companies (Atlanta Chamber of Commerce, 2006: 2). However, the figures were in contrast to the observation by Baade and Matheson (2003: 26) that growth in Atlanta coincided with the fluctuation in the business cycle, when Atlanta emerged from the United States' recession of early 90's, and simultaneously prepared to host the 1996 Games. Baade and Matheson (2003: 26) emphasised that the Olympics was incorrectly credited with economic growth, and specifically job creation that should have been attributed to other circumstances. Horne and Whitson (2006: 85) identified such errors as a common problem in analysis of mega-events; it is "difficult to isolate the impacts of the mega-event on the fortunes and stature of a city from those of other economic triggers or from larger cycles of growth and recession."

In agreement with Baade and Matheson (2003: 26), the reliability of the net benefit figure published by the *Atlanta Chamber of Commerce* (2006: 2) should be called into question.

The impact that was posited closely resembles the figure used pre-Games to estimate the benefits, however there was no particular study referenced in making the claim. It is possible that the pre-event prediction was simply assumed to be accurate, and then used it as a post-Games given.² In terms of the Games increasing tourist numbers to Atlanta, the effects of the Olympics on tourism were limited to the year of the Games (Horne and Whitson, 2006: 77). The lack of tourist growth could be partly due to the tainted image of Atlanta post the event, which was the result of political controversy involved in the bidding process where there were allegations of bribery (Baade and Matheson, 2003: 1). The image problems were amplified by the inadequacy of the city's infrastructural network; "traffic congestion, administrative problems, security breaches and over-commercialisation meant that the city did not receive favourable media coverage" (Chalkley and Essex, 2004: 9).

Given the negative image implications of the Games and the ambiguous economic impact, the net effect on Atlanta is uncertain. Assuming that the predicted net economic gain of \$5bn was accurate, the damage done to the city's image could have been negated. Alternatively, the poor image implications of the Games may well overwhelm the purported economic advantages. It is thus possible that playing host to a mega-event could well be characterised by negative externalities that have the potential to overshadow the positive effects. Determining the overall impact in this scenario is thus extremely difficult granted the inability to quantify the economic effects of a change in international image. The occurrence of an event adversely affecting the host's image was not an experience endured by the other hosts of mega-events discussed so far. Hence, there was no necessity to weigh the economic and image effects against each other as they were not competing forces in ascertaining the cumulative impact of the event. An analysis of the other events is thus more straightforward.

Another notable difference in the Atlanta case study, as opposed to the others addressed is that the actual net economic impact of the Games was alleged to be equivalent to the pre-event predictions. The result is surprising in the context of the other pre and post-

² In addition, no evidence could be found to corroborate the impact that is suggested to have occurred.

event comparisons as previously discussed. Baade and Matheson (2004: 346b) pointed out that the majority of event organizers who speculate regarding the potential economic impact of a mega-event have their predictions proved to be incorrect by researchers who examine the economic data for cities after the completion of the event. Since *ex ante* models on the economic impact of mega-events do not provide credible estimates, *ex post* models should be utilised to determine the benefits of the event in comparison with what event organizers had promised. Thus the net impact of the event could be and invariably will be significantly different from what is speculated pre-event. It should also be noted that studies which aim to predict economic benefits are far more abundant than those which calculate actual post-event effects. It appears as though researchers or their sponsors are distinctly disinclined to produce studies that may conflict with their earlier efforts.

Kasimati (2003: 442) found, through analysis of economic impact studies of five Summer Olympic Games, that “*ex ante* models and forecasts were not confirmed by *ex post* analyses.” Owen (2006: 234) agreed that *ex post* studies “have not found evidence of positive economic impacts from mega-sporting events even remotely approaching the estimates in economic impact studies,” and “(t)hat there is likely to be such a gap is now fairly predictable” (Horne and Manzenreiter, 2004: 200). Since, competition to host events is intense, supporters “frequently ignore the negative impacts and glorify the expected benefits (Gursoy and Kendall, 2006: 608) with the production of inaccurate *ex ante* studies. Teigland (1999: 316) cited “(e)xpert prostitution” as an important reason to explain why reality and economic impact studies have been divergent; the use of “(m)ethodological tricks” to achieve the desired forward-looking predictions is common (Andreff, 2006: 17). As such, it is advisable that the “public should be aware of economists bearing reports showing great benefits from mega-events” (Matheson, 2004: 8). In the instance that the estimations are inadvertently false through incorrect calculations, and are not just created at the whims of organisers, then it is the result of the unreliable method and inaccurate data that are employed to determine the prospective impact. Sterken (2006: 376) agreed that “(l)ocal organisers tend to produce optimistic *ex-ante* forecasts... *Ex-post* analyses, measuring observed changes in factors such as (local)

income and attributing these changes to the impact of hosting a sporting event are, on average, more modest.”

So, while the economic benefits from hosting an event may not achieve the levels of what predicted, there is still the opportunity to use the event as a platform to alter the perceived international image and reputation of the host. Ideally the event will result in an improved image of the host, but the potential exists that the event may be detrimental to the host's image as it appears was the case in Atlanta. “Mega-events may also damage the image of the host community or make it acquire a poor reputation as a result of inadequate facilities or improper practices” (Kim et al, 2006: 89). Hence, “using a sports tournament to make a statement about your country is neither risk- nor cost free” (Economist, 2004: 28).

The hope of hosting a successful mega-event and related opportunities that are expected to be created via international publicity and recognition can cause potential host communities to ignore the negative impacts that might occur (Bohlmann, 2006: 7). Such was the case for the Montreal Olympics of 1976; “the evidence is overwhelming that hosting the Olympics was an economic disaster, with negative effects on the city's ability to fund social services and infrastructure that lasted for more than twenty years” (Horne and Whitson, 2006: 86-87). The example demonstrates the potential downside of hosting a mega-event, and while it is worth acknowledging this occurrence, it does appear to be an exception to the rule. The financial burden of the Games was amplified by the then deteriorating Canadian economy, an international recession and high levels of inflation (Essex and Chalkley, 2004: 7). In addition, the economics of mega-events were very different in 1976, for example the television rights for the 1976 Games were sold for \$30m, but by the 2000 Games in Sydney, they were bought for \$1bn (Horne, 2005: 83). Hence, the relevance of the situation to the 2010 South African context is limited.

Table 1. Summary of effects of previous mega-events.

Mega-Event Host	Predicted Economic Impact (bn)	Range of Estimates as a % of Lower Estimate	Actual Economic Impact	Image Effect on the Host
Germany FIFA World Cup 2006	€1.75 - 10	470	Positive - Lower than predicted	Positive
Japan & South Korea FIFA World Cup 2002	US\$13.3 - 19.8	49	Positive - Lower than predicted	Ambiguous
Sydney Olympics 2000	A\$6.1 - 7	15	Positive - Lower than predicted	Ambiguous
Atlanta Olympics 1996	US\$5.1	n/a	Ambiguous	Negative
Montreal Olympics 1976	n/a	n/a	Negative	n/a

Source: Based on conclusions drawn in the preceding discussion.

The analysis of previous mega-events emphasises the following crucial points:

- Forward-looking predictions are sensitive to the decision of which model to use and also to the magnitudes of the exogenous inputs.
- It cannot be expected that the pre-event estimates will materialise; they may be quite divergent.
- Positive image effects for the host are not an inherent consequence of staging an event.

The two World Cups and two Olympic Games discussed were chosen as a cross section of first-order mega-events. While the net economic impacts that were generated were not significant in terms of the national economy, the economic effects were nonetheless still positive. The reasoning behind the earlier statement: “(c)laims that sports mega-events provide a substantial boost to the economy of the host city, region, and country have been strongly criticized by most independent scholars,” (Baade and Matheson, 2004a: 1088) is now clearly supported, especially since predictions and reality are regularly disparate. Szymanski (2002) is one such scholar who doubts the economic benefits of mega-events; his thoughts were succinctly relayed by Horne and Manzenreiter (2004: 192):

“Szymanski (2002) has observed through comparison with long-time averages, the cyclical norms and equivalent figures for similar economies at the same stage of the business cycle suggest there

is no statistically significant positive macroeconomic impact on GDP for World Cup hosts. The sports economist in fact concludes that countries should stop inventing economic benefits from sporting events, and simply treat them as expenses, or investments, in national promotion.”

Cornelissen (2004: 48) noted that “mega-events seldom bring the economic returns they are expected to, with costs often far outweighing revenue.” Coates and Humphreys (2003: 13) agree that the “evidence of positive economic benefits from mega sporting events should be considered weak at best.”

However, it is not necessarily the case that this apparent void of beneficial and tangible economic impacts related to events in general, will be mirrored in South Africa. The experience of developing nations hosting a mega-event may differ widely from that of a developed nation (Baade and Matheson, 2004a: 1091). The *scale* of the investment and foreign spending involved in a mega-event may not be significant enough to stimulate economic growth in a developed country, as their economy is too large to feel any impact from such exogenous injections. In the instance of a developing country, with a smaller economy, a mega-event may well have the capacity to induce a noticeable economic impact in the smaller environment. To illustrate the point, take a rudimentary example of a R10 000 investment into a firm which has assets of R100 000, it will be of greater assistance in developing the growth of the company than it would be if it was made into a firm with R1 000 000 in assets. Further, while mega-events are not reputed to derive significant economic benefits, this could be because the actual economic gains are minor in the context of the economy of the host. Thus, the economic impact of previous mega-events around the world cannot be used in isolation as a gauge of the prospective impact of the 2010 World Cup.

Since South Africa’s re-inception into global sport, at the end of Apartheid, it has hosted two traditional sporting mega-events, the 1995 Rugby World Cup and the 2003 Cricket World Cup. The hosting of cricket’s Indian Premier League (IPL) in South Africa in 2009 can also provide a valuable insight into an analysis of 2010. The IPL is a relatively new phenomenon, and while not usually used as an example of a mega-event, does meet the criteria for being categorised as such; the IPL has large-scale popular appeal, is internationally significant and can confer benefits on the host. The three events

mentioned are not South Africa's only practice at playing host for international sporting events, for example, the 1996 African Cup of Nations as well as golf's 2003 President's Cup took place in South Africa. The cricket and rugby occasions are second-order mega-events and thus come closest to replicating the shock to the economy that the 2010 World Cup may deliver. Thus an analysis of the impact, economic or otherwise, of the two Cups on South Africa, and what can be learnt with regards to the FIFA World Cup in 2010 is relevant.

2.2. Cricket World Cup 2003

An initial similarity between the 2003 event and 2010 lies in the desire that the International Cricket Council had to spread and globalise the game, as FIFA has endeavoured to achieve by giving South Africa the World Cup. The Cricket World Cup of 2003 was the first occasion that the tournament was held in Africa. The bid to host the Cup "was driven by a keen desire to promote South Africa's status as an African country, and ... there was a marked attempt by the South African government to use bid and event campaigns to shore up wider foreign policy goals with respect to the African continent" (Cornelissen and Swart, 2006: 116). Van der Merwe (2006: 72) agreed that in co-hosting the event with Zimbabwe and Kenya, South Africa affirmed its "African identity, whilst also being consistent with a pattern of foreign policy initiatives.... The event was tied into President Mbeki's vision to rejuvenate the African continent socially and economically through the African Renaissance." Therefore, the political objectives were clear, and appeared to supersede any economic requirements of hosting. However, the event was somewhat marred by political controversy as the English team refused to play their games in Zimbabwe. The anticipated benefits for the African image were thus not fully realised (Cornelissen, 2004: 50). The inability of South Africa to resolve the conflict may have undermined the country's image as leader on the continent. Further, in terms of intangible benefits, the hosting of the 2003 Cricket World Cup is not associated with the stimulating nation building, or contributing to national unity, qualities which hosting mega-events are generally thought to provide.

From an economic stand point, the Cricket World Cup of 2003 was purported to have “generated at least 1.2 billion rands for the South African economy” (Hassen in Baade and Matheson, 2004a: 1088). In 2004, according to the then Deputy Minister of Sport and Recreation, Gert Oosthuizen, the cumulative impact on economic activity was R2bn, with R1.1bn due to foreign spending by the approximate 18 500 foreigners who visited the country during the tournament. It was further speculated that every eight foreigners created one permanent job in South Africa (South African Parliament, 2004). In addition, Goliger (2005: 2) claimed that the event “generated €250 million in terms of economic activity.” These affirmations are not clear and explicit in what is actually being said about the net economic impact of the Cup, thus interpretation is problematic. €250m of government spending on infrastructure related to the Cup is an increase in economic activity, however, in the instance of zero receipts for the event this is purely a cost and does not contribute to economic growth. Nonetheless, supporters of hosting the 2010 World Cup would use such figures and vague proclamations as a means of rallying support for their cause. Unfortunately, there are several shortcomings of using the effects of the Cricket World Cup as a metric for the prospective implications of 2010.

The problem in using the Cricket World Cup as a model for the success of the FIFA World Cup is twofold. First, it is classed as a second-order, and not a first-order mega-event. The 2003 event lacked the prestige, international publicity and scope in comparison to 2010. Hence, the exogenous shock to the South African economy of 2010 is expected to be more significant and wide-reaching. For example, television audience for the two events are vastly different; the 2003 World Cup was broadcast in 200 countries with some 2 billion viewers (Mail and Guardian, 2007a). Whereas, in 2010 it is predicted that there will be a global, cumulative television audience of 40 billion people for the duration of the tournament (Financial Mail, 2006a: 25). Second, the capital outlay for the Cricket World Cup was a fraction of what is expected to be spent on the Soccer World Cup. Of the 12 stadia used for 2003 tournament, (SA Web, 2003) a few underwent only minor renovations while no were stadia were built. In contrast, an

estimated R8.4bn will be spent on stadia for the 2010 event (Financial Mail, 2006a: 25).³ However, the difference in expenditure will also be offset by other factors, such as different numbers of tourists for the Cups. It was estimated before the event that 25 000 foreigners would visit South Africa for the Cricket (Cornelissen, 2004: 49), while 2010 expects to attract 350 000 foreign tourists to the country (Bob and Swart, 2007: 377).⁴ Despite the far lower number of visitors for the Cricket World Cup, it was considered to have “contributed meaningfully towards the dramatic improvement in foreign tourism” (South African Reserve Bank, 2003: 22).

Thus, it has become evident that the Cricket World Cup cannot be used as a proxy for the economic impact of the FIFA World Cup. In summary, the cost of stadia alone is some seven times the overall estimated net impact of the entire Cricket World Cup, approximately only 7% of the number of tourists expected in 2010, visited South Africa for the Cricket World Cup and it had a global viewership of one twentieth the size. In addition, the event had nowhere near the depth of investments in the infrastructural developments as is necessary to for 2010. However, the opportunities to make a profit from the FIFA event are thought to be far greater than the cricket, given the scale and scope of the football event. What this analysis does show is that in terms of the physical staging of the 2003 Cricket World Cup, irrespective of the differences between the two events, South Africa is capable of successfully hosting a mega-event.

2.3. Indian Premier League 2009

On the 24th of March 2009 it was announced by Cricket South Africa’s CEO, Gerald Majola, and Lalit Modi, Chairman and Commissioner of the Indian Premier League (IPL), that the 2009 edition of the cricket tournament would be held in South Africa (Sunday Times, 2009a). The statement was made just over three weeks before the

³ This is one estimation of the costs involved in hosting 2010; there are many different figures available. The reasons for the disparity will be discussed later; however this is an example of what the final cost of the 2010 World Cup might be, in order to illustrate the differences between the Cricket and Football World Cups.

⁴ Similarly, there are a variety of estimates regarding the number of tourists that are expected to visit during 2010.

tournament was set to begin, thus preparations for the event were made over a very brief period. Speaking at the opening ceremony of the IPL the then President of South Africa, Kgalema Motlanthe, stated that the tournament was expected to generate approximately R1bn for the national economy (South African Press Association, 2009a). Cricket South Africa expected that 10 000 foreigners would visit the country during the event (Supersport, 2009). The IPL's Modi was confident of the positive economic impact of the event; he reported that 22 000 hotel rooms were booked with Southern Sun Hotels alone, 10 000 domestic flight bookings were made and that "millions of rands were expected to be spent on tickets, food and beverages, transport and merchandise" (South African Press Association, 2009b). It was also speculated that the IPL would create R100m in tax revenues, an estimate based on the tax revenue that the 2008 IPL generated in India (Fin24, 2009b). However, some are sceptical of the national benefit of hosting the IPL, Financial Mail (2009: 27) sarcastically commented that the figure of R1bn is a "popular number: not only was this a prediction for the IPL but also for the expected benefits of the Lions Tour⁵." In addition, the proclaimed figures of R100m in additional tax revenues and 10 000 visitors as a result of the IPL are very round, clean numbers that may call into question their accuracy and reliability.

Perhaps the most significant implication of the IPL was the competency with which the event was held on such short notice. IPL Chief Operating Officer Sunder Raman stated that South Africa's performance in hosting spoke "volumes of the infrastructure available and the readiness of the country to host any tournament of any scale" (Supersport, 2009). The IPL improved the international perception of South Africa's capacity to host mega-events. Thus the IPL was considered a success in terms of both South Africa's performance in hosting the event and the economic impact derived from it. The lessons learnt from South Africa's staging of the IPL are similar to that of the 2003 Cricket World Cup; it displays the country's ability to stage a large scale international event, however, fails in providing any predictive insight in determining the economic impact of 2010. The IPL required virtually zero investment in infrastructure and stadia, as all the

⁵ Refers to the tour by rugby team, the British and Irish Lions, to South Africa during June and July of 2009.

necessary systems were in place. Even if the event did require such investments, they would have been neglected given the short preparation period. Thus the economic benefits from the IPL did not have to cover any fixed or capital investments before it could be considered to have derived a positive net economic impact. It only had to account for variable costs, which is a marked distinction with the 2010 World Cup.

2.4. Rugby World Cup 1995

The Rugby World Cup suffers from similar shortcomings to the Cricket World Cup in terms of its applicability as a forecasting tool for 2010, in that it had a far smaller capital outlay and it is also only a second-order mega-event. There were only an estimated 20 000 foreign visitors to South Africa for the event (Arendse, 2009). Further, the total television audience for the Cup was only 2.7 billion, far less than the estimated viewership for 2010 (Stewart, 2006: 176). The 1995 Rugby World Cup, which was won by the South African rugby team, is however more applicable in terms of the abstract, intangible benefits that an event can confer on a nation. The benefits relate to mega-events' capacity to generate national unity and enhance international reputations. The World Cup "represented an opportunity for the country to announce its re-emergence as a full member of not only the world's sporting community but its political community" (Baade and Matheson, 2004a: 1095) following the end of Apartheid.

More tangible consequences of the Cup were identified by Cornelissen (2004: 44-45) who claimed that the country's tourism sector was boosted by the 1995 Rugby World Cup, after tourism numbers initially started increasing after 1994. "International tourist arrivals in South Africa had risen by 6.3 per cent between 1995 and 2000, well above the international average during this period." However, the observation does not seem surprising in the slightest as South Africa would not have been a popular tourist destination in 1992 prior to the end of Apartheid, and then up until 1994 the political instability and violence would have deterred tourists. Thus, it makes logical sense that tourist numbers would start increasing around 1995 as only then would South Africa have been regarded as a viable place to holiday, having survived a year of the new democracy.

So, the role of the World Cup in singularly stimulating the change in tourist figures is certainly doubtful.

“(M)any governments use mega-events to fulfil larger political aims, such as consolidating national legitimacy or as a means of nation-building” (Cornelissen, 2004: 51). Cornelissen and Swart (2006: 112) agreed that “the Rugby World Cup seemingly united the highly divided and racialised society.” Grundlingh (1998: 66) agreed that South Africans appeared to discover a sense of common unity as a result of the World Cup. Nauright (1998: 157) quoted the then South African Minister of Sport, Steve Tshwete, who declared that the young South African democracy had “witnessed the ability of sport to act as a catalyst to bring people together, share excitement and build a nation.” “The 1995 image of Nelson Mandela, wearing the number 7 jersey of South African captain François Pienaar as he lifted the Webb Ellis Trophy, would have undoubtedly contributed to the development of national unity in a country that had been divided for so long” (Baade and Matheson, 2004a: 1095). The image was an international advert for post-Apartheid South Africa. The success saw South Africa decide to try and replicate the outcome by bidding to host other events such as the Olympic Games in Cape Town in 2004 and the 2006 FIFA World Cup. While both bids were unsuccessful, South Africa was aggressively pursuing “an event-centred development strategy” (Black, 2007: 264). The 2010 World Cup is thus an opportunity to implement the policy.

CHAPTER 3: THEORETICAL BACKGROUND

In evaluating the merits of hosting the World Cup it is appropriate to look at the event as a government project, made possible with state funding. In that sense the World Cup can be seen as public expenditure and an operation that was chosen at the expense of other potential projects or investments. It needs to be determined if the World Cup as a public project is in the public interest. Three potential methods for determining the economic and intangible impacts of an event will be assessed for their merits as a tool for analysing the implications of the 2010 World Cup. The Cost-Benefit Analysis, Input-Output Analysis and the Computable General Equilibrium Approach are each addressed below.

3.1. *The Cost-Benefit Analysis Model*

A Cost-Benefit Analysis (CBA) is an appropriate means for dissecting the issue, as it is “an analytical tool used to evaluate the relative merits of public projects financed by the state” (Black et al., 2005: 104). In its most simple form, a CBA is “calculation of the inputs into and outputs from a project and then subtraction of the first from the second” (Bellas and Zerbe, 2006: 1).

A CBA is essentially equivalent to “systematic thinking about decision making” (Gillroy and Wade, 1992: 153). In this sense it is simply a “framework for organizing thoughts, for listing all pros and cons, and for placing a value on each consideration” (Gramlich, 1981: 4). Thus the framework for conducting a CBA is not generic, as every public policy will be accompanied by different project-specific costs and benefits. It is the responsibility of the researcher to critically analyse and dissect the proposed project in order to identify and then quantify those related costs and outcomes. The model is usually confined in application to public sector projects as the advantages and disadvantages are defined in terms of social gains and losses, and as such the CBA “purports to be a way of deciding what society prefers” (Dasgupta and Pearce, 1974: 19). Crompton (2006: 75) succinctly summarised the conundrum faced by policy makers; “for an investment of public money to be justified, it must meet the criterion of *highest and best use*. That is, it

should yield a return to residents that is at least equal to that which could be obtained from other ventures in which the government entity could invest,” and it can be expected that the project which derives the greatest total return should be that which society prefers.

Central to the process of selection of public policy is the notion of Pareto Optimality, which is a means to determine whether a public project is a justifiable expenditure. A change in the economy is said to be a Pareto improvement when “at least one person is made better off as a result of the change and no person is made worse off” (Bellas and Zerbe, 2006: 12). Essentially, the Pareto rule states “that if everyone prefers x to y , x is a socially acceptable policy” (Dasgupta and Pearce, 1974: 54). It is however an extremely stringent requirement, as rarely will a policy change result in there being *no* losers and then very few policies could be legitimately pursued. A more practical alternative to Pareto Optimality is the Kaldor-Hicks principle, which states that “situation A is preferred to situation B if the gainers *could* compensate the losers and still be better off” (Gramlich, 1981: 43). The principle does not require that the gainers actually *do* compensate the losers, but it is sufficient that they have the capability to do so. A policy that meets this requirement is regarded as warranted. Hence, the principle advocates the selection of the project which produces the greatest net benefit to society; it does not however deal with the distributive implications of the chosen policy.

Therefore, the goal of a CBA is to determine how to achieve the “maximization of utility subject to whatever constraints the economic and political environment imposes” (Marglin, 1967: 15). The maximisation of social utility is a crucial element in public policy analysis, as policies that do not achieve it are not regarded as being in the best interest of the population. With regards to sporting events, even “a properly conducted economic impact study does not provide a sensible argument for the government to support a project. Only the comparison of costs and benefits in a cost-benefit analysis does,” (Kesenne, 2005: 134) as it accounts for utility gains and losses. The more pragmatic application of an economic impact study does not make allowances for the importance of the maximisation of social utility, which significantly cannot be solely

defined in terms of economic effects. Oldenboom (2006: 55-56) elaborated that an economic impact analysis in itself does not provide enough information for public sector decision making as public costs are not included. A CBA however, is not restricted to financial valuations, it is possible to include intangible factors as well.

The intangible effects can be regarded as externalities to the project. The distinction needs to be made between private and social effects of a transaction. An externality occurs where one individual voluntarily takes part in a transaction and another individual “benefits from (that) activity or good that he does not purchase, then he is enhancing his welfare or quality of life in a way that is not recorded in a market transaction” (Siegfried and Zimbalist, 2006: 421). An externality can be further defined as an event when “economic activity in the form of production or consumption affects the production or utility levels of other producers and consumers, and the effect is unpriced” (Dasgupta and Pearce, 1974: 118). An externality can assume a positive or negative value, the value of which can often not be calculated as it may have widespread social implications. Projects that induce positive externalities become more valuable as a result by increasing net social utility such that the private benefit is less than the public benefit, and likewise those projects that cause negative externalities increase the public cost above the private cost. Often externalities have an effect on the environment, the valuation of which is very difficult (Bellas and Zerbe, 2006: 10-11). An example of an environmental negative externality is the pollution that a factory emits. It raises the social cost of operating the factory above the private costs borne by those who run it.

With specific reference to the hosting of sporting events, Barget and Gouguet (2007: 168) identified various potential externalities that may materialise. The positive effects were improved social cohesion in the area through strengthened social identity and integration, enhanced public image and development of basic facilities, which would aid future growth. In terms of negative externalities, deterioration in the quality of life and the environment because of construction of major facilities, and loss of social cohesion due to hooliganism were cited as possibilities. Kesenne (2005: 142) cited further externalities such as increased long-term effects on foreign direct investment, higher sports

participation rates, greater health and improved labour productivity. But, “because these benefits are hard to estimate or to quantify, or rather arbitrarily, they are often left out” of a net economic impact analysis. Within a traditional CBA framework, externalities are not explicitly included as values and are not accounted for in the final cost-benefit summation. Therefore, a project may be rejected on the basis of a CBA, when actually it should be approved for implementation based on the potential intangible benefits associated with the project, and vice versa. It would be a policy failure to incorrectly reject a cumulatively beneficial project. Therefore in application to the 2010 context, it is “necessary to try to internalize these external effects and determine the total economic value of the sporting event, which would measure the real net social utility created” (Barget and Gouguet, 2007: 166).

It is thus essential to include the externalities in the decision making process. When they cannot be given a monetary value the rational way to deal with the factors is not to abandon attempts to measure them all together, but rather to “quantify what can be quantified, ... rank unquantifiable factors, and then to make a decision” (Gramlich, 1981: 4). It is appropriate to order the intangibles in terms of the degree to which they are expected to complement or reduce net societal utility. Thus, given the values of the tangible consequences, and being aware of the intangibles and their relative value, the onus falls onto political leaders who have the task of weighing the quantifiable against the unquantifiable and choosing whether or not to approve a project (Bellas and Zerbe, 2006: 1-2). It is therefore not a mechanical process whereby estimated inputs give a definitive answer to the question of if a project should be pursued; there is a certain degree of analytical reasoning. Hence, when market values are not available for valuing the respective outputs of a project, the analysis may be less reliable and more a function of opinion. The CBA method has been criticised on those grounds because it requires the effects of a project to be expressed in monetary terms (Miller and Patassini, 2006: 1). That the intangibles are not monetised is a shortcoming of all analyses that make an effort to value projects that have such effects. An economic impact study makes no considerations for intangibles; however, within the CBA framework there is a capacity for incorporation in the final analysis. The CBA serves as an aid to the overall decision

making process as it informs policy makers of *all* the factors involved and not only economic considerations; crucially it highlights those implications of a project which might not be immediately evident given a study based on purely economic grounds.

Bellas and Zerbe (2006: 3-5) outline their advised approach for conducting a CBA through the following steps:

1. Clarify the issue at hand; identify for whom the study is being done, and whose costs and benefits should be included.
2. Identify the alternatives; other similar projects that could also derive public benefits need to be acknowledged.
3. Set out the assumptions; they may refer to market conditions, quantities, durations and other specifications necessary for determining inputs.
4. List the impacts of the project; quantify the impacts where possible, otherwise simply list the factors that cannot be quantified.
5. Assign values to the impacts; attach monetary values to impacts where appropriate.
6. Deal with unquantified impacts; those factors that were not given monetary values need consideration. One approach would be to calculate how large these factors would have to be in order to reverse the CBA results. As such, the analysis progresses beyond acceptance of quantitative calculations.
7. Discount future values to obtain present values; be careful to select appropriate interest rates to use as discount rates.
8. Identify and account for uncertainty; the analysis needs to recognise the existence of the risk of the project in terms the actual costs and benefits differing from expectations. The application of a sensitivity analysis, which calculates the value of the project under different scenarios and gives a range of results within which the actual net impact is likely to fall.
9. Compare the costs and the benefits; having calculated the figures under a variety of circumstances in the sensitivity analysis, compare the costs and benefits under each scenario.

10. Decide on a conclusion; having compared the costs and the benefits in step 9, include the unquantified aspects from step 4 and choose whether or not to proceed with the project, or not.

The essence of the decision to use a CBA lies in the observation that if an event shows a positive net economic impact, the study fails to realise that there is a “fundamental difference between the economic impact of a sports event ... and its net benefit” (Kesenne, 2005: 134). As the total impact incorporates intangible factors, such as international exposure and nation building, that cannot be quantified in economic terms, and thus requires a considerable qualitative judgment. The net economic impact analysis should be incorporated into the CBA to enhance the understanding of the underlying finances of the project. In conducting the CBA, having identified all the costs, they can be compared against all of the benefits, and it can be assessed as to whether the decision to host the World Cup was founded on legitimate grounds in the maximisation of social utility.

3.2. *Input-Output Analysis*

An Input-Output (I-O) analysis has traditionally been used to determine the economic impact of a change in or enactment of a government policy. The effect of an event in an I-O analysis is calculated by determining the attendance, and then surveying a section of the attendance to determine an average amount of expenditure per individual at an event and in the region. This means that direct spending is determined by “simply summing all receipts associated with the event” (Baade and Matheson, 2004b: 345), revealing total expenditure, which will be treated with the multiplier to give the net effect of the event on the economy (Matheson, 2004: 3). The I-O Analysis assumes that all inputs are freely available in the economy and that the use of resources in one sector of the economy does not reduce economic activity elsewhere (Dwyer et al., 2006: 60).

The essential problem with the I-O analysis is that it derives its multiplier from input-output tables that are based on the normal state of the economy. But, during a mega-

event, the economy is at anything but its normal state, it is characterised by higher prices, decreased unemployment, higher levels of consumption and increased general output. It therefore requires a different multiplier that accommodates these irregularities (Matheson, 2004: 7-8). Studies by Dwyer et al. (2006), Kurtzman (2005), and Siegfried and Zimbalist (2000) cited the multipliers used in calculating forward-looking predictions as causing the disparities between estimates and actual impacts. An “I-O analysis therefore incorporates a systematic and serious upward bias if used to estimate impacts in broad region’s or national economies. I-O techniques account for the positive impacts of an event on economic activity, but they ignore the equally real negative impacts” (Dwyer et al., 2006: 59). It can often be the case that the negative aspects diminish the effects of the positive impacts to such an extent that the actual net impact of events on economic activity is appreciably lower than initially estimated

Baade and Matheson further (2004a: 1090) maintained that the inaccuracies in the estimation of the benefits of staging large events can be attributed to the shortcomings of an I-O analysis, as opposed to the more accurate Computable General Equilibrium (CGE). The framework for conducting a CGE is regarded as preferable as it makes allowances for feedback effects that dampen the extent to which the multiplier induces further rounds of spending after an initial expenditure (Dwyer et al., 2006: 59).

3.3. Computable General Equilibrium Models

An I-O Analysis’ unrealistic assumptions are addressed in CGE models. CGEs are designed for comparative-static simulations where the data is not in series but rather compiled from a Social Accounting Matrix (SAM). A SAM describes the economy at a given time, and explains the impact of a change in one variable, on the rest of the economy (Bohlmann and Van Heerden, 2005: 5). A SAM is a square matrix where each sector of the economy has an account, represented by a row and a column. Income for the sector appears along its row and its expenditures, along its column. As such, expenditure by a sector corresponds to an income for another sector, and the movement from sector to sector has implications for total economic activity (Lofgren et al., 2002: 5). Thus, the

cumulative effects of World Cup related spending can be modelled; the difficulty in determining the net economic impact lies in calculating the correct size of the autonomous injections.

CGE models simulate the impact of the exogenous shock to the economy and allow for the “development of new relative prices which leads to a new equilibrium with different levels of production, income and consumption” (Magabu, 2002: 3). Further, it acknowledges the reality of resource constraints, the existence of other markets, and the feedback effects. CGE analysis provides an appreciably more accurate estimate of the economic implications of hosting events, through applications of appropriate multipliers (Siegfried and Zimbalist, 2000: 106).

The practical implications of the biases inherent in the I-O method are evident in the study by Dwyer et al. (2006: 61) which calculated the economic impact of the Australian Grand Prix measured in terms of both an I-O Analysis and a CGE model. The results can be summarised as follows: I-O modelling, when compared to CGE modelling, projected a greater impact on real output in both the host state and Australia as a whole. The projected increase in employment using the CGE model was less than I-O estimates. In the I-O model, increases in employment in the rest of Australia were expected, while the CGE model predicted relatively large job losses in the rest of Australia. Further, the CGE model projected reduced output and employment in various industries in the event’s host state, including industries that were regarded as being associated with tourism. In contrast, the I-O modelling of the special events projected either a net increase or zero change in real output and employment in all industries.

While a study based on a CGE model is more expensive to perform and is a technically more demanding method as a greater level of expertise is required to develop the model, it theoretically offers greater accuracy of the prediction. The “principal advantage of using CGE models in policy analysis is that it permits taking into account interactions throughout the economy” (Magabu, 2002: 3). The CGE method is therefore seen as a preferable alternative to an I-O Analysis because in calculating the net economic impact

of an event it employs more appropriate multipliers that account for the inter-connected relationships that exist between factors in the economy. The relationships that act to reduce the multiplier effect are addressed in the following section.

3.4. *Theoretical Considerations for Conducting Economic Impact Studies*

Syzmanski (2002: 2) stated that the economic impact of an event is “not simply the *direct effect* created by investments prior to the event or consumer spending during the event, but also the *indirect effects* caused by the stimulus to the economic activities of others induced by the direct effects.” There may therefore be significant outflows from the multiplier cycle (Baade and Matheson, 2004a: 1090). Application of only a marginally inflated multiplier can significantly distort the net effect of an initial expenditure. Therefore, special care needs to be taken when determining the appropriate multiplier to be applied. Kurtzman (2005: 47) asserted that often the multiplier is “an inflated multiplier due to the lack of calculation that includes all factors of leakage.” Such a failing would result in an exaggerated net impact and would lead to poor selection of public policies. Five factors which act to reduce the multiplier effect have been identified, and their existence needs to be incorporated into a study which seeks to calculate the economic impact of an event.

3.4.1. *Displaced Spending*

Displaced spending occurs in two forms: government expenditure and consumer expenditure, both of which can significantly stunt the prospective economic impact of an event. Displaced spending is expenditure on or at an event that would have been used for other goods and services in the country or city had the event not taken place. Government and individuals thus substitute away from regular spending towards spending on the event. Thus, there is an inflated estimate of what the total value of spending will be as a consequence of the event (Baade and Matheson, 2004a: 1091). Such spending patterns do not serve to amplify national GDP, they merely result in shifts in sectoral expenditure. Coates and Humphreys (2003: 13) observed that there is “compelling evidence that these

events simply re-distribute spending to different parts of the urban economy.” The occurrence is the result of resource constraints in an economy. While there is an increased economic output caused directly by the event, the net benefit is diminished by the consequent declines in output from other sectors, as the event consumes the inputs that would ordinarily be used in other sectors. Syzmanski (2002: 3) maintained that for the multiplier effect to be fully realised, the resources used in the government expenditure must be a part of spare capacity, that is labour and capital that are involved in the project must be presently unused; hence, having diverted resources from alternative activities to the project, “whatever multiplier effects exist on the positive side must be counterbalanced against negative multiplier effects due to diverted expenditures no longer providing income to some individuals whose own spending is thus curtailed.” Thus, for the net effect to be positive, the replacement project must have a greater net worth than the initial project which has been forgone.

In terms of expenditure by individuals during the event, only spending by foreign visitors is likely to have any expansionary effect on output. Expenditure by domestic individuals at an event will not have the same effects as spending by foreigners as “their spending on the event will be to a large extent diverted from other activities that they would otherwise have undertaken in the region” (Syzmanski, 2002: 4). Crompton (2006: 70) explicitly stated that expenditures “by those who reside in the community do not contribute to an event’s economic impact because these expenditures represent a recycling of money that already existed there. There is no new economic growth.” Again, there will be a shift only in sectoral output, and little real effect on the economy. The reason for ignoring expenditure by locals makes intuitive sense, because had the event not taken place in the region, an individual’s disposable income would have been spent elsewhere in the economy, and the effect on the economy would be the same. Hence, economic impact should be defined as “the net economic change in the incomes of host residents that results from spending attributed to tourists” (Crompton, 2006: 86).

3.4.2. The Labour and Capital Markets

An I-O analysis assumes a free supply of inputs to an event, which means whatever input is needed, will be readily available in the economy, which is the key flaw in I-O analyses (Dwyer et al., 2005: 353). The problem is most applicable to highly skilled employment that will be taken either from other sectors or the workers imported from abroad. Labour might not be readily available in the host region as it takes time to develop specialised skills (Baade and Matheson, 2004a: 1090). Crompton (2006: 74) agreed that higher employment figures can be misleading as they imply that all new jobs are filled by residents from within the region, which might not necessarily be the case. Foreign employees repatriate their income and weaken the influence of the multiplier on the economy. Therefore, in terms of the labour market, it is dubious as to whether hosting an event will actually bring about a rise in employment. Bohlmann (2006: 23-24) noted however, that foreign professionals will impart their knowledge to those domestic individuals with whom they interact, and in doing so the nation's human capital will be developed.

An event results in an increased demand for labour, leading to an increase in the wage rate, which in turn reduces the willingness to employ, thus employment will not necessarily increase (Baade and Matheson, 2003: 20). Crompton (2004: 74) posited that in response to an event, local businesses are unlikely to hire additional full-time employees to meet higher demand as the extra business is transitory. The number of labour hours will probably increase, however existing employees would be required to work overtime.

3.4.3. Foreign Exchange

The hosting of a mega-event may also have effects on the Foreign Exchange market. In the instance of drawing many foreign tourists, and if the nation has a floating exchange rate, an increase in demand for the local currency by visitors could affect the real rate,

and hence the currency will appreciate. The situation will negatively impact on both the exporting capacity of a nation, as well as the import-competing industries because imported goods will be relatively cheaper. Consumers will substitute away from locally produced goods. I-O analysis only accounts for injected expenditure and is thus incapable of estimating exchange-rate movements (Dwyer et al., 2006: 61).

3.4.4. Inflation

The nature of events is such that very intense and localised shocks are provided to the economy. Events cause stark increases in demand, but briefly, possibly only for a few days. The rise in demand is focused within a specific area, and only applies to specific goods and services, such as accommodation, transport, restaurants and vendors. These types of intense and highly specific shocks have different impacts in comparison to those that are of a comparable magnitude and are more widespread throughout the economy (Dwyer et al., 2006: 64). If there is a strong increase in demand, but capacity in the economy constrains the corresponding and necessary increase in supply, it follows that suppliers will raise prices, and the overall impact of the stimulus will be inflationary (Szymanski, 2002: 3). The prevalence of sticky prices after the event needs to be accounted for (Kasimati, 2003: 438).

3.4.5. Tourism

Another foundation for the over-estimation of benefits relates to the crowding out effect that the influx of tourists to an event will have on other regular tourists who would ordinarily visit the host area. Such ‘regulars’ would be put off their visit, by the prospect of all the other tourists who will be there (Baade and Matheson, 2004a; Crompton, 2006; Humphreys and Prokopowicz, 2007; Preuss, 2002). Seaman (2007: 2) suggested that up to 100% crowding out may occur due to the “potential inability of a local economy to significantly expand its output in response to alleged massive injections of visitor spending demands.” Hence, supply constraints are also applicable in the analysis of tourism. A study by the European Tour Operators Association (ETOA) echoed the belief

that “(t)he presence of the Olympics deters regular tourists: they perceive that the city will be full, disrupted, congested and over-priced” (Sure Travel, 2005). The same can be applied to all major events. An example can be found in data collected during the 2002 FIFA World Cup held in Japan and South Korea. The number of European visitors to South Korea was higher than normal; however the increase was offset by a similar sized decrease in the usual tourists and business travellers that visit the country from neighbouring Japan who decided not to travel on the grounds that they wanted to avoid the World Cup hassles. “The total number of foreign visitors to South Korea throughout the tournament was estimated at 460 000, a figure identical to the number of foreign visitors during the same period in the previous year” (Golovina, 2002, in Baade and Matheson, 2004a: 1091). Similarly, “482 000 foreign visitors entered Japan between 31 May and 30 June 2002, this marked an increase of only 30 000 people over the same period for the previous year” (Horne and Manzenreiter, 2004:197).

In addition, local residents may choose to leave the area until the event is over for the same reasons that regular tourists are deterred. Hence, the displacement effects amount to losses in income, which must be considered when determining the possible economic impact of an event (Dwyer et al., 2006: 63).

Further, visitors to a nation for an event may not be considerable consumers of traditional sightseeing opportunities; they will not be drawn to museums, historical attractions, nature sites and other traditional destinations that tourists in a nation would generally visit, “their behaviour is akin to business men attending a convention” (ETOA, 2005: 9). Kurtzman (2005: 49) maintained that a sport tourist is one “whose travel... is primarily motivated by sport,” and that events do not turn sports fans into regular recreational tourists. So, while there may indeed be an influx of tourists it is not necessarily the case that the tourist sites will benefit as much from the event as would be expected. The effect is augmented by the phenomenon that *ordinary* tourists who would *ordinarily* frequent the sites are not travelling in the region because of the event. Hence, event tourists spending patterns and their likely activities need to be modelled (Getz, 2008: 405).

Crompton (2006: 73) placed a further, more stringent constraint on whether expenditure by foreign visitors should be accounted as contributing to economic impact; spending by foreigners should not count towards the impact of the event, if the visitors had been planning to visit the region for some time but changed the timing of their trip so that it would coincide with the event. Their spending should not be counted as it was always going to occur irrespective of whether the event had taken place or not.

3.4.6. Summary

Within the theoretical framework for the estimation of the net economic impact of mega-events, it has become evident that there are factors, although not immediately apparent, which work to significantly diminish the economic effect that the event will have on the host region. The factor that acts to reduce the multiplier effect will have varying degrees of relevance to the 2010 context. In assessing the economic impact of the World Cup it is necessary to determine whether the reductions will actually occur given the economic environment that prevails in South Africa, and to assess if it is possible to take preventative actions to reduce the extent to which the leakages from the domestic economy dampens the net financial impact of the event.

CHAPTER 4: OTHER STUDIES ON THE ECONOMIC IMPACT OF 2010

Three studies that have endeavoured to predict the economic impact of the 2010 World Cup on South Africa merit analysis. Studies by Bohlmann and van Heerden (2008), Magubu and Mohamed (2008), and accounting and auditing firm Grant Thornton (2003, 2007, 2008) will be assessed in terms of their shortcomings, successes and applicability to the process of determining the total effect of hosting the event on South Africa.

4.1. Bohlmann and van Heerden

Bohlmann and van Heerden's (2008: 386) study based on a 32-sector CGE model, UPGEM, was developed by the University of Pretoria and the Centre of Policy Studies, and designed for comparative static simulations. Specific economic outcomes of different scenarios that were thought to transpire as a result of the event were modelled. The changes in the economic variables as a result of the occurrence of each scenario were then applied in the model to assess the net effect on different industries and the economy as a whole. The specific effect of each scenario could be identified as it was assumed that other scenarios did not occur concurrently. Finally, the scenarios were simulated simultaneously to determine the overall effect on the economy.

- **Scenario 1** involved a simulation where capital stock of transport and construction industries were each increased by 2%, and capital stock in communication and hotel industries were each increased by 1%.
 - With demand held constant, the simulations resulted in a small increase in real GDP growth (0.15%), increased employment, higher price of labour, lower prices, higher exports as a result of improved real exchange rate and improved competitiveness in international trade. By industry, the greatest effects were seen in transport services, hotels and communications.

- **Scenario 2** related to changed productivity as a result of investment in certain industries, with technical changes in the transport, construction and communication industries contributing to 5%, 2% and 2% improvements in productivity respectively.
 - The results under Scenario 2 were very similar to Scenario 1; however there was a larger increase in real GDP growth (0.33%).
- **Scenario 3** referred to the effect of the marginal increase in tourism. The analysis took into account the crowding out effect.
 - Tourism was found to have no effect on GDP growth or employment.
- **Scenario 4** was used to simulate the effect of increased demand for capital expenditures during the World Cup.
 - It was found that the real GDP would increase by 0.61%, while employment, consumer prices and price of labour all rose by more than 1%. However, exports were found to decrease by 3.03%.
- **Scenario 5** incorporated all the effects that are assumed in the previous scenarios and also included the means that government decided to use in funding the event. There were two alternatives for funding considered:
 - 0.5% increase in taxes to fund the event would result in a 0.69% increase in real GDP, with a 0.72% increase in employment and 1.21% rise in consumer prices. It was assumed that future investment, GDP growth and taxes would finance the costs not covered by the initial increase in taxes.
 - As opposed to the 0.5% increase in taxes, it was assumed that the majority of the expense for the event would be financed via higher taxes immediately. Such a policy was found to almost totally undermine the positive economic benefits of the World Cup. It resulted in only a 0.08% change in real GDP, a decrease of 0.35% in employment and a 1.24% increase in consumer prices.
 - Under both funding alternatives greatest benefits of hosting the World Cup were seen to be enjoyed by the construction, transport services, hotels and communications industries.

Bohlmann and van Heerden (2008: 393) made the disclaimer that the time period over which the economic impact analysis was conducted was very short and did not allow for the economic effects of any long lasting benefits from the event such as increased foreign direct investment. In summarising the expectations regarding the economic impact of the World Cup, Bohlmann and van Heerden (2008: 393) stated that “it is hard to imagine that there will be any significant impact on GDP in the short term. Similarly, employment might increase in the short term... but remain unchanged in the longer term as demand for labour decreases again.” For any large increases in employment it was maintained that for GDP growth to occur there needed to be large sums of foreign investment to increase domestic economic activity.

On a purely short-term economic basis the study by Bohlmann and van Heerden (2008) is sound, as it used a CGE model in calculating the economic impact, a method preferred by scholars due to its greater accuracy. However, in pursuit of greater applicability of the results, the study might have included a sensitivity analysis to determine a range within which the economic impact was expected to fall, as opposed to a specific figure of 0.69% of GDP under the first funding option. For example, Scenario 1 could have been simulated under the specified assumptions, and then simulated under better than and worse than expected circumstances, such as a 1.5% increase in capital stock under the worse than expected case and at a 2.5% increase in the better than expected situation. Application of the process, although making the study more computationally demanding, would have added to the value of the study in that there would be less reliance on the accuracy of the assumptions in deriving the predicted net impact. A further criticism is that the proportion of the event that would be financed with taxes under the second funding option was not expressly disclosed, but only the ambiguous statement that “the majority of the expenditure would be financed through higher taxes” (Bohlmann and van Heerden, 2008: 393) was made. Such a disclosure would have enhanced the understanding of the results.

4.2. *Mabugu and Mohamed*

Mabugu and Mohamed (2008: 5) sought to calculate the economic impact of the 2010 World Cup with the use of a SAM multiplier model, “with the specific focus being on macroeconomic, sectoral, factor and household impacts.” The critical assumption was made that in hosting the event, the increased spending will neither require a tax increase nor raise the budget deficit. It was purported that the event would be financed by a R30bn budget surplus from fiscal year 2006/2007. As such, a disclaimer was included, which stated that the study’s results should be regarded as the “upper limits of the possible benefits that should be anticipated” (Mabugu and Mohamed, 2008: 5). The results of the simulation were based on the estimated cost of the event, which was set at an investment of R17.4bn. World Cup related expenditure patterns were applied as exogenous injections into the relevant sectors of the economy (Mabugu and Mohamed, 2008: 17).

The study found that the World Cup could be expected to have a direct “impact on GDP of R163 million...The rise in GDP is driven largely by rising consumption” (Mabugu and Mohamed, 2008: 18). It was explained that the increase in consumption would be due to higher real household incomes. Increased imports were predicted to rise by 1.14%, which would lead to a balance of trade deficit as the exchange rate would not depreciate and may actually appreciate. Mabugu and Mohamed (2008: 18) observed that the multipliers for the different sectors are all fairly low due to the open nature of the South African economy and hence higher leakages exist which act to diminish the effect. The analysis of the impact on sectors of the economy determined, similarly to Bohlmann and van Heerden (2008) that the largest changes would occur in the construction, transport and communications, but also in the manufacturing industry.

Mabugu and Mohamed (2008: 20) explained that the demographic groups of the South African population which would benefit the most from the event were blacks, followed by coloureds and whites, with Indians expected to reap the least gains because of their lower participation in the sectors that received the most positive stimulus by government.

It was also found that the World Cup would be regressive in terms of distribution of wealth, as high income households would experience greater gains than low income households. While all households were expected to experience gains, black middle income households were seen to have the most to gain from 2010, with a predicted 1.02% increase in income (Mabugu and Mohamed, 2008: 20).

In conclusion Mabugu and Mohamed (2008: 23) warned that due to the structural nature of the tournament, it will “undoubtedly benefit those South African cities and provinces that intend to host the event disproportionately more than their non-hosting compatriots.” It was suggested that government should introduce mechanisms that would ensure a more equitable distribution of benefits. There was however no specific proposal to explain how a program for re-distribution might be implemented. Such a policy seems highly unlikely and infeasible. It was also acknowledged that SAM models were useful in providing only “ball-park estimates” and that “significant limitations, such as linearity, absence of behavioural considerations, absence of markets and prices, and lack of formal constraints” impaired the reliability and accuracy of their results (Mabugu and Mohamed (2008: 23).

4.3. Grant Thornton

Grant Thornton (2003: 1) was commissioned by the LOC to conduct an economic impact assessment for the 2010 World Cup. That the study did not specify the method employed to calculate the net economic impact, doubt is cast upon the reliability of the results. The study as a whole was presented in the form of a Cost-Benefit Analysis, with both tangible and intangible costs and benefits incorporated.

The study was based around the key belief that the “gross benefit of an event is the wealth created in the country as a result of the event” (Grant Thornton, 2003: 1). The cumulative benefits were expected to be a function of the spending in four assumed categories, and formed the foundation for calculation of the economic impact of 2010:

- Spending at the event by domestic and foreign spectators.

- Spending on a trip by domestic and international teams, VIP's, sponsors and media.
- Other spending on sponsorships, merchandising and concessions.
- Capital expenditure on stadia and infrastructure (Grant Thornton, 2003: 1).

From the assumptions, the following estimates of value were derived:

Table 2. Costs and Benefits of 2010 World Cup according to Grant Thornton (2003)

	Source of Revenue	Estimated Value (Rbn)
Benefits	Ticket Revenue	4.6
	Additional Tax Revenue	7.2
	Direct Expenditure on the Event	12.7
Costs	Tangible Costs to Government	2.3
	Net Contribution to GDP	21.3

Source: Grant Thornton (2003)

The figures initially appear impressive and a reasonable justification for being host in 2010, since the net contribution to GDP is R21.3bn. The net impact was derived through application of “appropriate income and employment multipliers and taxation rates” (Grant Thornton, 2003: 2). The study concluded that:

“It is clear ... 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” (Grant Thornton, 2003: 4).

However, through a careful analysis of the assumptions employed, it can be concluded that the assessment was fundamentally flawed, and hence the figure that was derived is not a reliable reflection of the probable net economic impact. Bohlmann and van Heerden (2008: 386) remarked that they were sceptical of the estimate, having noted that the “finding (was) based on questionable income and employment multipliers, which were probably overoptimistic.” The inappropriate assumptions, in combination with the ‘overoptimistic’ multipliers serve to amplify the presumed economic impact. As previously noted, some scholars have observed that inaccurate methods of determining economic impact are employed by protagonists of events in order to convince a sceptical public (Andreff, 2006; Baade and Matheson, 2004a; Crompton, 2006; Kesenne, 2005; Sterken, 2006). Syzmanski (2002: 2) warned that the “multiplier concept is extremely

powerful, and can be used to produce very large predicted effects from initial injections. But it is an easily abused concept.” That the results of the study were used in the Bid Committee’s official application to FIFA to be the host 2010, it is possible that such activities may have been engaged in.

Assumptions 1 and 2 refer to spending by domestic and foreign entities as contributing to the net expenditure on the event, and from that multipliers were used to determine the contribution to GDP. However, it is incorrect to use revenue spent on the event by domestic individuals in the analysis of GDP, as affirmed in a study of the net impact of the 2006 World Cup Soccer in Germany, where it was concluded that “(i)t is not appropriate to consider the expenditure of domestic spectators during the football world championships ... since other consumption expenditure is expected to be reduced accordingly” (Ahlert, 2005: 21). Domestic expenditure on the event should not be seen as contributing to GDP because it is simply a substitution of expenditure away from normal expenditure patterns that individuals would ordinarily follow, towards expenditure related to the event. In the calculations made, the estimates of spending on events were considered on a gross basis, and not as a net measure (Baade and Matheson, 2004a: 1090). The method neglects displaced spending. In terms of ticket sales, it was estimated by Grant Thornton (2003: 2) that 67% of the tickets purchased for the World Cup fixtures would be bought by South Africans, which amplifies the unreliability of the estimated impact on GDP. Such expenditure does not serve to amplify national GDP; it just adds to the gross profit of the event, and not towards a net economic benefit for South Africa.⁶ The over-estimation can be resolved by including only expenditure that is made by tourists, and foreigners in the country; their spending will genuinely contribute to a higher GDP in that these will be autonomous injections into the economy that in normal circumstances, without the World Cup, would not occur. The same cannot be said for expenditure by South African individuals.

⁶ No indication of the size of the multiplier used in the study was given. Therefore, it must be assumed that expenditure in one sector will have a similar multiplier effect to expenditure in a different sector. Hence, it must be assumed that the same multiplier was applied by Grant Thornton to all sectors of the economy.

In terms of the 3rd assumption, it should be approached with scepticism as the actual effect that merchandising and sponsorship relating to the World Cup will have on the South African economy will be minimal. While the volume of transactions involved in the two sectors will be significant, the benefits accrued to South Africans will be limited. The same restriction on domestic expenditure actually contributing to GDP applies. At the 2006 World Cup in Germany, FIFA (2006: 47) explicitly stated that “all marketing rights are owned solely and without restrictions by FIFA and that FIFA can exploit the marketing rights without restriction.” FIFA retains a tight grip on any of its property rights related to the World Cup and as such restrict domestic producers’ capacity to benefit from the event through merchandising. In Germany, Coca-Cola, American beer and McDonald’s were available at the games while German products were systematically “locked out” (Hall, 2006: 61). Similar restrictive constraints prevail to govern sponsorship and the provision of concessions for the 2010 World Cup. A more comprehensive analysis will be conducted in the *Chapter 5*; however, assuming that merchandising, sponsorship and concessions will give additional contributions to South African GDP is erroneous.

In the final assumption made by Grant Thornton (2003: 1) the emphasis was placed on capital expenditure for the World Cup as adding to GDP. The proposition is in the same mould as the analysis so far; government spending on the event is just a sectoral shift of expenditure and does not positively contribute to GDP. Government thus substitutes away from regular spending towards expenditure on the event. So, there is an inflated estimate of the total value of spending consequent of the event (Baade and Matheson, 2004a: 1091). The assumption does however lead onto the issue of how much being host to the World Cup will actually cost South Africa. The study assumed that tangible costs cost to government would be R2.3bn, which consisted of R1.8bn on stadia and R500m being spent on infrastructural developments (Grant Thornton, 2003: 2-3). While a full discussion of the costs involved for 2010 is contained in the next chapter, the estimate used here is remarkably low, even at 2003 price levels, considering that the initial budget for the Green Point Stadium in Cape Town alone was R2.5bn (Business Day, 2007; 1). A

patently incorrect assumption that is a crucial input into a study would render the result invalid.

Grant Thornton (2003: 3) did however include a comprehensive list of the intangible benefits and costs that were expected to accrue to South Africa as a result of hosting the event. The costs included increases in petty crime, occurrence of possible soccer related violence, negative impact on traffic flows, displacement of normal tourism and the negative impact on residents living close to the stadia. The listed costs are largely legitimate; however, stating that the displacement of tourists is an intangible cost is not correct. There are very real, quantifiable consequences of such an effect, which should be incorporated into the economic impact assessment, as was done by Bohlmann and van Heerden (2008), yet another shortcoming of the Grant Thornton analysis. In terms of intangible benefits, the study cited increased interest in and a raised profile of South Africa, marketing opportunities, improved confidence and pride of the local population, increased tourism and foreign direct investment (FDI). It is important to recognise that the positive image implications of the event and the associated improvements in tourism and foreign investment are not automatic and mechanical consequences. They depend on the successful hosting of the event and that the image fostered of South Africa in the international community is a positive one. Therefore, it should not be assumed that the intangible benefits will definitely occur. It is possible that these potential benefits may become costs if the image impact is negative for South Africa, and hence reducing tourism and FDI. The analysis of intangibles is by no means definitive, issues such as human trafficking, prostitution and the spread of diseases should also be addressed. Without any discussion on the respective values of intangibles, it was blindly assumed in the Grant Thornton (2003: 4) study that the intangible benefits will exceed the intangible costs.

Grant Thornton (2003) seemed to ignore distinction between the tournament itself earning a profit, and the net economic benefit for South Africa, in that it analyses solely the aggregate expenditure on the event, which then through the application of multipliers determines the net benefit. In 2007, after a re-assessment of their initial study Grant

Thornton posited that GDP would rise by at least R51.1bn as a result of the World Cup (South Africa.info, 2007a). Then, in 2008 Grant Thornton made a further re-assessment and declared that the World Cup's net economic effect would be a R55.7bn contribution to GDP (South Africa.info, 2008a), with 415 000 new jobs and R19.3bn in tax income expected to be generated (Financial Mail Campus, 2009: 6). That the revised net estimates are significantly larger than the initial calculation, in spite of increasing costs, calls into question the accuracy of the results.

Due to the many methodological flaws and variety of inappropriate assumptions, the legitimacy of the 2003 study is strongly undermined, yielding the results unreliable, and would not be a suitable point of reference for the prospective economic impact of 2010. Further, that this study was conducted in 2003 reduces its relevance in 2009. While the estimates that may have been accurate at publication, they are now far from appropriate.

4.4. *Comparison of Studies*

In order to compare the results calculated by Bohlmann and van Heerden (2008) to those by Grant Thornton (2003 and 2008), and Mabugu and Mohamed (2008) it is necessary to interpret the rand figures that were generated as percentages of GDP. The South African GDP for 2008 at current market prices was estimated at R2 283.8bn (South African Reserve Bank, 2009a). Treated with a conservative GDP growth rate of 0.5% in 2009 and 3% for 2010, an approximate GDP for 2010 is R2 364.01bn.⁷ For the results of Grant Thornton (2008), the World Cup would serve to increase GDP in the country by 2.4% if the impact of the event is R55.7.⁸ Similarly, under the more conservative estimate of the net impact being R21.3bn (Grant Thornton, 2003), the contribution would be in the region of 0.91%.⁹ The figure of R163m as calculated by Mabugu and Mohamed (2008) equates to 0.0069% of projected GDP in 2010.¹⁰

⁷ $2283.8(1.005)(1.03) = 2364.01$

⁸ $[2364.01/(2364.01 - 55.7) - 1] \times 100 = 2.4\%$

⁹ $[2364.01/(2364.01 - 21.3) - 1] \times 100 = 0.91\%$

¹⁰ $[2364.01/(2364.01 - 0.163) - 1] \times 100 = 0.0069\%$

Table 3. Estimate percentage increase in GDP as a result of the 2010 World Cup.

Study	Conservative	Liberal
Mabugu and Mohamed (2008)	n/a	0.0069
Bohlmann & van Heerden (2008)	0.08	0.69
Grant Thornton (2003 & 2008)	0.91	2.4

Both the studies by Bohlmann and van Heerden (2008), and Mabugu and Mohamed (2008) unfortunately offered only very superficial and brief analyses of the effects of the event that are not explicitly economic. Therefore, neither supplies a definitive conclusion as to the merits of hosting the World Cup. The shortcoming cannot be regarded as a criticism of either study as it is apparent that addressing intangible factors associated with the event were not objectives. Mabugu and Mohamed (2008: 23) admitted that a more comprehensive analysis would require that other “social and environmental costs associated with the event would also need to be studied and quantified.” In terms of the predicted effects on economic variables such as exports, consumption and prices the results derived in both studies are qualitatively similar, however the respective magnitudes of the predicted net economic impact and changes in economic variables are significantly divergent.

Grant Thornton (2003) did not address the effects on other economic variables, and derived a final net economic impact assessment that differed greatly from the other studies. The conservative estimate of the impact on GDP calculated by Grant Thornton (2003) is greater than the most ambitious estimate by Bohlmann and van Heerden (2008) and far higher than that by Mabugu and Mohamed (2008). The method employed, the CGE, and the attention to detail presented by Bohlmann and van Heerden (2008) make it the most reliable and valuable input into an analysis of the total impact of the World Cup on South Africa, that would include both tangible and intangible benefits.

CHAPTER 5: COST-BENEFIT ANALYSIS FOR 2010 FIFA WORLD CUP

Chapter 5 endeavours to conduct a Cost-Benefit Analysis for the 2010 FIFA World Cup based on the general approach outlined in *Chapter 3*, with adjustments to the process founded on the unique characteristics of mega-events. According to Dwyer et al. (2005: 357) when considering hosting an event a “cost-benefit analysis of it should be undertaken in order to assess all the costs and benefits, and the impact on the broader economy.” The steps outlined by Bellas and Zerbe (2006: 3-5) will be used as a broad guide for the ensuing CBA. The relevant steps will be followed where applicable. The flexibility of the CBA process makes it the preferable means for dissecting 2010 as a public policy. I-O Analysis and CGE Models can both only be used to estimate the purely economic impact of an event. Neither method can provide a definitive answer as to whether hosting an event can be regarded as a prudent public policy as both ignore intangible effects. The option of CGE or I-O based study was however largely rejected on the grounds of their invariable inaccuracy as detailed in *Chapter 2*. Such a study would therefore add little to the understanding of the economic impact of the event. This study will therefore focus on an analysis of the determinants of the economic impact of 2010.

The analysis is conducted within the context of the theoretical background, and with reference to the likely effects of the World Cup as understood in terms of the impacts of previous mega-events. The analysis includes the reductions in the multiplier effect, as well as other factors contributing to either the total costs or benefits of staging. The issue of displaced spending is not addressed directly as it is a common theme that arises regularly in discussion of the other factors. Thus, the objective is to critically analyse each factor, and make an assumption regarding its probable role in determining the final net economic and/or intangible impact of 2010. Where feasible, the factors will be quantified. Alternatively, qualitative conclusions will be drawn on the basis of the substance of each factor and the line of reasoning developed. Finally, the cumulative costs and benefits will be weighed against each other in order to ascertain the probable net impact of 2010.

5.1. Merchandising, Sponsorship and Concessions

FIFA relies on the staging of the World Cup to generate enough profit in order to sustain the operations of the organisation during the years between the events. As a result of the 2006 World Cup staged in Germany the organisation “earned a profit of some €1.4 billion” (Du Plessis and Maennig, 2007: 3). In order to make a profit via the event, FIFA retains very strict controls over all merchandising, sponsorship and concessions. The restrictions for the 2010 World Cup are governed by the basic principle that: “No third party, which has not been authorised by FIFA, may...do anything which gives rise to any association between such third parties and the Competition” (FIFA, 2008: 4). FIFA has maintained that stringent enforcement of marketing rules is necessary as the World Cup is a privately funded event that needs the contribution from sponsors to ensure that it can be staged. Sponsors would not be willing to agree to sponsorship deals if they could not be assured of exclusive rights to associate with the World Cup and use the event’s Official Marks (FIFA, 2007a: 3). While FIFA cannot claim ownership of the game of football, it does own the World Cup as an event and as such has full rights to govern the event as it deems appropriate. There is thus no onus on FIFA to ensure that the World Cup confers a net economic benefit on the host. The host nation must adhere to FIFA’s rules and regulations which are set such that the economic benefits associated with the event are conferred to FIFA. The rules that control merchandising, sponsorship and concessions systematically undermine the opportunities for South African individuals and firms to make a profit from direct association with the tournament.

The profit making activities for FIFA start during the bidding process by prospective hosts. Du Plessis and Maennig (2007: 2-3) argued that FIFA are able to maximise profits from the event in the same way that a monopolist does when facing a group of bidders in a competitive auction; FIFA and the host actually “sign a contract that regulates the flow of benefits associated with the tournament.” In the case of the 2010 World Cup, FIFA and the South African Football Association (SAFA) agreed to honour the terms that are set out in the Organising Association Agreement. The document outlines a variety of conditions which South Africa must accept, should the nation decide to host the World

Cup (Government Gazette, 2006: 2). Since many nations actively pursue the event, the eventual host can suffer from the “winner’s curse” whereby the winning bidder in a competitive auction over pays for the product in demand (Chang and Moore, 2008: 257), in that the profit making capacity of the event has been ceded to the sport’s governing body.

The 2010 FIFA World Cup Special Measures Act was “designed to give effect to the guarantees that government has given to FIFA in terms of venues, access control, logistical support, ambush marketing and how FIFA’s corporate partners would operate in South Africa” (Matarirano, 2007). The Bill generally relates to the South African government’s responsibilities and duties in hosting the event. FIFA (2008: 6) maintained that it is the host nation’s responsibility to ensure that no third party “develops, uses, registers, adopts, or creates, any mark, logo or symbol which refers to the Competition or any phase of the Competition.” Therefore, in order to defend FIFA’s property rights for 2010, in addition to the general laws applicable and the Bill, the protection of the World Cup’s Official Marks are supplemented by specific statutory provisions enacted for the event:

- The Trade Practices Act (Section 9d)
- Merchandise Marks Act number 17 of 1941 (amended Section 15)
- Merchandise Marks Act number 17 of 1941 (amended Section 15a)

The legislation collectively governs the use of ‘FIFA’s Official Marks;’ where the term refers to: the Official Mascot, Official Logo, Official Poster, The FIFA World Cup Trophy, the Fifa.com logo and the trademarked Terms. The extreme lengths to which FIFA goes to preserve its property rights is evident in list of Terms:

- 2010 FIFA World Cup South Africa
- 2010 FIFA World Cup
- FIFA World Cup
- World Cup
- 2010 World Cup
- World Cup 2010
- South Africa 2010

- SA 2010
- ZA 2010
- 2010 South Africa
- Football World Cup
- Soccer World Cup
- Or any derivations or combinations thereof.

No corporate or commercial association with any of the above Terms is allowed, nor are any “confusingly similar variations and modifications” permissible (FIFA, 2007a: 6). The purpose of these constraints is to ensure that businesses and businesspersons cannot intentionally deceive the public into believing that their products are legitimately associated with FIFA and the event and therefore seek to undermine any entity’s ability to “ambush FIFA’s event for their own financial gain” (Matarirano, 2007).

As a consequence of FIFA’s rules and regulations, it is clear that there will be very few opportunities for domestic producers in the clothing and apparel industry to capitalise upon the World Cup. It may have been expected that the massive merchandising campaign which accompanies the World Cup would benefit domestic producers and retailers as they would be awarded tenders to produce official merchandise for the event. Sales of shirts, flags, scarves, caps, replica jerseys and other soccer related paraphernalia would be expected to generate extra profits for the industry, however FIFA is in a licensing agreement with the firm Global Brands, which is responsible for co-ordinating its global merchandising operations (FIFA, 2007b). Global Brands sub-contracted the production of merchandising goods at the lowest cost to producers in China who have been favoured for production of World Cup related merchandise (Weekend Post, 2006: 6). For example, Global Brands agreed a deal with Cape Town based firm Captivity Headwear to distribute official 2010 FIFA World Cup licensed caps, hats, beanies, and other headwear products. The products however will be manufactured by Mainland Holdings Headwear from Hong Kong (Global License, 2007). On sale of the merchandise the majority of profits made on the transaction will then be repatriated out of South Africa, and will reduce economic activity domestically as opposed to increasing it, had production occurred locally. Crompton (2006: 75) argued that if “the goods were

manufactured outside the community, their cost immediately leaks out of the local economy” and should not be considered to be new money that is injected into the economy. Edgars Consolidated Stores was awarded the rights to operate the official tournament stores, which will be located within 160 branches of Edgars throughout the country (FIFA, 2007b). Again, while Edgars will benefit from the rights, the vast majority of gains from merchandising for the event will accrue to foreign manufacturers.

There are however marketing opportunities for South Africa’s largest corporations, those which can afford to become official sponsors. FIFA are expected to earn US\$3.1bn in corporate sponsorship and broadcasting rights from the World Cup in 2010 (South Africa.info, 2006a). The majority of sponsorship which the organisation receives comes from international corporations. FIFA partners are entities which receive “the most comprehensive package of global advertising, promotional and marketing rights in relation to FIFA... (and) are entitled to the highest available level of commercial association with FIFA” (FIFA, 2008: 18). They are the top level of sponsors and include Adidas, Coca-Cola, Emirates Airlines, Hyundai-Kia Motors, Sony, and Visa, which each paid approximately \$300m for an 8 year contract (Financial Mail, 2006a: 24). World Cup Sponsors are the second tier sponsors and receive “the second most comprehensive package of global advertising, promotional and marketing rights in relation to the FIFA World Cups and the FIFA Confederations Cups” (FIFA, 2008: 18). The six 2010 sponsors, are Budweiser, Castrol, Continental, McDonalds, MTN and Satyam (FIFA, 2009a). In terms of official sponsorship by South African corporations, only telecommunications firm MTN secured a position as a FIFA World Cup Sponsor. It is however a significant achievement as it is the first African corporation to be a FIFA World Cup Sponsor, having paid \$65m to the Swiss-based organisation for the rights (MTN, 2007). MTN will receive significant international publicity for their brand.

The National Supporters are third-level sponsors for the World Cup. It was initially expected that there would be 6 South African corporate sponsors (South Africa.info, 2006a). However, by late 2009 only 5 corporations had agreed terms with FIFA, which is possibly due to the high cost of obtaining National Supporters status. First National Bank,

Telkom, BP, Prasa and Neo Africa have been given status as National Supporters (FIFA, 2009a), which is “any entity which is granted a package of advertising, promotional and marketing rights in relation to any single football competition organized by, or under the auspices of FIFA, such rights to be exercisable only in the host territory of the relevant competition” (FIFA, 2008: 19). First National Bank (2006) secured its sponsorship position at a cost of \$30m while Telkom paid \$36m to FIFA for their sponsorship deal (South Africa.info, 2007c). While each corporation will receive international exposure, their payments to FIFA will actually constitute a leak from the South African economy and a decline in GDP. Assuming an average sponsorship cost of \$30m by the National Supporters, in addition to the \$65m paid by MTN, the total paid by the six sponsoring firms to FIFA is around \$215m, equivalent to around R1.6bn.¹¹ Had similar expenditures been made for sponsorship to domestic organisations by FNB and Telkom, the funds would have been re-circulated throughout the economy, and which would have enhanced economic activity domestically, in contrast to the Grant Thornton (2003: 1) assumption that sponsorship investment by domestic companies would lead to greater domestic GDP.

While it can be expected that the advertising within the stadia for the World Cup will only feature the brands of the official sponsors, it has transpired that the monopoly on advertising will extend beyond the confines of the stadia during 2010. In Germany in 2006, all advertising within a one kilometre radius of the stadia and along all major access roads, was restricted to official FIFA sponsor enterprises, with all profits channelled to FIFA (Du Plessis and Maennig, 2007: 3). The restrictions will be extended in 2010, as companies that are not official FIFA sponsors may not advertise on billboards on ‘protocol routes’ for 15 days before the World Cup, during it, and from 5 days afterwards. The ‘protocol routes’ refer to all roads between airports, team hotels and stadia (Times, 2009e).

With regards the provision of concessions at World Cup fixtures, South African companies that could not secure direct sponsorship deals with FIFA can have no affiliation with the event whatsoever (Financial Mail, 2006a: 24). The supply of alcoholic

¹¹ Using a Rand-US Dollar exchange rate of R7.5 per \$; $\$215 \times 7.5 = \text{R1 } 612.5\text{m}$

beverages is a good example of how only official FIFA sponsors will benefit from the sale of concessions in the stadia during World Cup fixtures. Given that as a part South Africa's bid to host the World Cup, the Organising Committee agreed that it would introduce legislation that would remove any obstacles that may hinder implementation of FIFA's rules and regulations (Matarirano, 2007), the Bill had to make special provisions for the supply of liquor by FIFA's commercial affiliates who have the exclusive rights for:

- marketing of liquor at a stadium or venue;
- distribution of liquor at a stadium or venue;
- consumption of liquor at a stadium or venue; and
- advertisement of liquor during the 2010 FIFA World Cup South Africa (Government Gazette, 2006: 4-5).

That Budweiser is a FIFA World Cup Sponsor, only beer produced by the corporation will be on sale at stadiums and venues during the World Cup fixtures (South Africa.info, 2005). Budweiser has a complete "monopoly over the marketing, distribution, consumption and advertisement of liquor at all the stadia and media in association with FIFA" (Matarirano, 2007). Further, in Germany for the 2006 FIFA World Cup, host cities were required to set up closed-in fan parks for spectators to watch the fixtures, where the same advertising conditions and restrictions on the supply of concessions were enforced (Du Plessis and Maennig, 2007: 3). The "situation led to substantial protests from German companies particularly as the bid for the Cup was partly justified by the supposed economic benefits it would bring to Germany and host cities" (Hall, 2006: 61). Again, it can be expected that similar circumstances will prevail in 2010. Thus, in spite of the claims by boosters of the event that the Cup would stimulate the growth of various industries, it is still a FIFA sanctioned event and therefore has to adhere to the fundamental restrictions that are imposed. Significantly, the revenue that is generated from these sales will be repatriated. Expenditure by domestic individuals on concessions that are provided by international corporations will result in a leak of resources from the domestic economy. The leak from the domestic economy should be significant as at the 2006 World Cup, Budweiser sold some 3.5m litres of beer (Arendse, 2009).

In an effort to quantify the leak of resources due to merchandising and concessions, assumptions need to be made regarding World Cup spectators spending while attending fixtures; that is, the spending by South Africans. Given that there are approximately 3.7m tickets available for World Cup fixtures¹² and that Grant Thornton (2003) predicted that 67% of tickets will be sold to domestic spectators, 2.45m tickets should be bought by South Africans. Further, assume that each spectator spends R75 on concessions, and that one out of every two spectator spends R150 on World Cup merchandising, the total expenditure by South African's at fixtures alone is in the region of R550m, as is evident in the table below. The loss of resources from the domestic economy is understated here, as the scenario does not account for merchandising purchases by South Africans who do not attend specific fixtures.

Table 4. Total Spending by domestic spectators at World Cup fixtures.

	Spending per Spectator (R)	Total Spending by South African Spectators (Rm)
Concessions	75	183.8
Merchandising	150	367.7
Total	225	551.5

Briefly, another example of the domestic firms being sidelined during 2010 relates to the use of London-based 'Match Event Services' as FIFA's official accommodation provider. According to the Sunday Times (2009b), Match will book around 55 000 hotel rooms around South Africa during the World Cup. Local hotels and guesthouses need to be accredited with Match in order to 'officially' sell accommodation to 2010 guests. The foreign firm is then expected to add a 30% mark up, and sell the rooms to foreigners. Match purchases rooms at 2007 prices with a 16% increase for inflation (Sunday Times, 2009b). Critically, it prevents locals from charging higher prices themselves, hence additional profit from staging the tournament will be enjoyed by the foreign firm.

¹² See *Appendix A* for calculations.

Therefore, as has become quite apparent, the opportunities for South African firms to derive economic benefits from merchandising, sponsorship and concessions are minimal, and those that are available are primarily restricted to the nation's largest corporations. Only six South African corporations will receive significant international exposure during the event through their sponsorship agreements with FIFA.

5.2. Labour and Capital Markets

As was explained in *Chapter 3*, the host nation or city for an international event may not realise the maximum benefits in labour and capital markets as a result of feedback effects. The effects occur in the form of higher wages due to increased demand, an increased domestic use of foreign resources and the occurrence of transitory and not structural employment increases. The host should however also experience positive effects in labour and capital markets due to the event, such as an increase in the demand for short-term labour and the transfer of human capital.

A concern for developing nations that seek to host mega-events relates to the possibility that the requisite technical expertise may not be readily available domestically. If such a scenario materialises, resources and labour will have to be taken either from other sectors in the economy or will be imported from abroad (Baade and Matheson, 2004a: 1090). Neither option will contribute towards economic growth domestically. If labour is diverted from other national projects, the net effect will be ambiguous, depending on which operation yields greater profitability. Should it be required that organisers outsource certain functions to foreign individuals and companies who can perform highly specialized roles in the production of the World Cup, then the net economic impact of the event will be diminished. Foreign employees will repatriate their income, which constitutes a leak of resources from the domestic economy. It is therefore necessary to account for the use of foreign labour when conducting an economic impact study for 2010. For the organisers of an international event, use of foreign resources should be minimised wherever possible. However, the decision to favour local producers and service providers does come at a premium to foreign alternatives.

As a developing nation South Africa apparently does not have all of the requisite expertise to host the World Cup; “the head of the National Treasury's 2010 unit, Malcolm Simpson, said there was also concern over the shortage of skills needed to implement key infrastructure projects in the country, including the stadium projects” (South Africa.info, 2007b). Simpson went on the point out that since there are only 6 firms that dominate the South African construction sector, it would be necessary to allow foreign firms to tender for the construction of stadia and infrastructure as costs could be brought down.

The Moses Mabhida Stadium in Durban is characterised by the use of foreign firms in its construction. eThekweni municipal manager Mike Sutcliffe declared that the winning tender had come from the Ibholo Lethu consortium which “had a strong black empowerment contingent as well as a German connection” (South Africa.info, 2006b) in the two lead consultants, structural engineering firm Schlaich, Bergermann & Partners, and architectural and engineering firm von Gerken, Marg and Partners International (eThekweni Online, 2006). Even though the tender was awarded to a locally based consortium, that there is a heavy foreign contingent means that there will be significant outflow of resources from the domestic economy. Had the South African government paid local firms to perform the services, the payments would induce further rounds of spending in the domestic economy. Schlaich, Bergermann & Partners (2009) are also partners in the consortiums that are developing Soccer City in Johannesburg, the Green Point Stadium in Cape Town and the Nelson Mandela Bay Stadium in Port Elizabeth. Thus it is evident that South Africa’s lack of some essential skills could detrimentally reduce the positive economic consequence of the event. Significantly, failure to recognise the presence of the foreign labour can distort the results of studies which seek to calculate the economic implications of the event.

In addition to the construction projects, the international television feed has been outsourced to Host Broadcasting Services (HBS) in partnership with local South African firms. HBS have the exclusive FIFA rights to produce both the radio and television feeds internationally. HBS will also develop the International Broadcast Centre (IBC), the hub

out of which broadcasters and journalists from around the world will be operating throughout the event (Financial Mail, 2006a: 27). According to HBS (2009a), the broadcast of the event “is implemented by HBS’ own team of experts; alternatively through short-term joint ventures with other service providers.” HBS guarantee that they have the “resources and experience to deliver ‘best ever’ host coverage, in terms of quality, versatility and reliability.” The South African operations of the Swiss-based HBS would benefit local production companies that have the opportunity to work alongside them as locals will be exposed to HBS’ knowledge and ability. HBS undertook to recruit and train 400 interns to assist with the production of the World Cup and the 2009 Confederations Cup (Sowetan, 2009a). HBS stated that the interns will gain experience in and exposure to “pre-broadcasting, event management, sports production and post-production” (Volksblad, 2008). The human capital gains made here would be used elsewhere in the industry, and contribute to greater efficiency and technical know-how. HBS performed the same functional role at the previous two World Cups in Germany and Japan-South Korea (HBS, 2009b). Therefore, whether South Africa has the capacity to perform HBS’ role at 2010 is irrelevant; another case of the tight control which FIFA maintains over the event.

A policy that is employed by FIFA and the LOC in order to keep costs of staging the event down is the use of 15 000 volunteers to facilitate the efficient running of the Cup (FIFA, 2009b). Nonetheless, volunteer training is estimated to cost R25m (Financial Mail Campus, 2009: 6). Hence, the amount of new employment that is expected to occur during the event will be less than might initially be predicted as much labour related to the event is actually uncompensated. Volunteers will perform a wide variety of functions, such as providing assistance for tasks such as accreditation, marketing, media services, welcoming and ushering spectators. Multilingual volunteers will be required to perform translator functions. In addition, logistical and administrative matters including transportation, information technology and telecommunications will be facilitated by volunteers (SAPA, 2009d). While these individuals will be a highly visible reminder of the South African public’s active contribution to the tournament, their presence should not be associated with the World Cup generating employment in the country. The

volunteers will however add to their skill sets and gain valuable experience in the sector in which they offer their services.

In terms of additional compensated employment during the tournament, labour opportunities will be short-term in nature and exist largely only while the event is taking place. As the issue of crime is of particular concern for organisers and patrons of the competition, measures have been planned by the LOC to minimise the risk faced by visitors to South Africa. As such an extra 41 000 policemen will be on duty around the country during the event (Times, 2008). Of these, 10 000 will be police reservists, while the remainder will be operational police officers (South Africa.info, 2008b). Therefore, Crompton's (2004: 74) argument that the hours of labour will increase, but the actual employment figures are unlikely to improve during the event appears justified. The hypothesis makes practical sense; it is inefficient to train additional police officers in order to satisfy increased demand that will initially only last for one month during the event. Should the World Cup stimulate long-term increased tourism, then further training of police officers may be warranted. While there will be greater numbers of policemen on duty during the Cup, the majority do not constitute increases in employment numbers. However, the additional compensation that they receive will be circulated throughout the domestic economy, and is a positive outcome of South Africa hosting the event.

The World Cup will also have positive effects on the development of human capital within the South Africa Police Services (SAPS), as they received guidance from the United States of America's Federal Bureau of Investigation (FBI) on how to deal with money laundering and terrorism that could accompany the event (South Africa.info, 2007d). Further, French police services have trained the SAPS in methods of crowd control, having gained experience in the field during the 1998 World Cup that the nation hosted (South Africa.info, 2009). An estimated total of R1.3bn will be spent on safety and security measures and preparations for 2010 (Financial Mail Campus, 2009: 6), which is an increase from the 2006 projection of R666m (Mabugu and Mohamed, 2008: 7).

The method used by the SAPS to cope with the increased demand for services during the tournament is one that will likely be replicated by other businesses who are cautious about investing too heavily in an event that lasts only one month. The observation suggests that it should not be expected that significant increases in employment will occur during the event. However, to posit ideas about the labour requirements of the nation's small and medium sized businesses would be pure speculation. For example, the decision by a curio shop owner to extend business hours during the World Cup and the choice to employ additional labour or not is specific to the situation faced by the owner. The decision is, amongst other factors, a function of the skills required to perform the tasks. Employers who require unskilled labour that does not require intensive training will be more inclined to hire additional labour, augmenting temporary employment in the region. The more skilled the labour, the more likely that current employees will simply work longer hours as needed. Therefore, the cumulative effect on the labour market is not easily quantified. The problem is compounded by the expectation that South Africa will endure an influx of migrant workers from neighbouring countries during 2010 (SAPA, 2009g), who may take up employment opportunities that would ordinarily go to locals.

The LOC "has estimated that the World Cup will create 415,000 jobs in South Africa" (SAPA, 2009g). With five new stadiums being built for 2010, the construction industry is thought to be a prominent source of increased employment as the various projects would increase demand for labour. Dwyer et al. (2006) and, Baade and Matheson (2003) predicted that the increased demand for labour would raise the wage rate and as such, little or no increase in employment would arise due to a mega-event. In July of 2009 construction workers at World Cup stadia was halted as a consequence of pay disputes between construction workers and employers. Some 70 000 workers went on strike for one week demanding a 13% pay increase. The National Union of Mine Workers (which represents construction workers) and employers agreed on a 12% rise, and the strike abated. The strike was not specific to World Cup venues; it spread to other infrastructural developments, such as the Coega Project, King Shaka International Airport and the Gautrain (SAPA, 2009e). It was not the first strike to occur on the 2010 stadia; in November 2007 a similar situation transpired (Cape Argus, 2007b). As labour becomes

more expensive, employers substitute away from labour to capital which has become cheaper relative to labour (Bohlmann and van Heerden, 2008: 391), which is detrimental to construction workers who are predominantly temporary employees (Sowetan, 2009b) and are only paid on a basis of the hours worked (SAPA, 2009f). Demand for temporary labour is therefore elastic even in the short-term, and employers are free to move between different allocations of labour and capital.

Given the factors which affect the demand for labour, the number of workers employed on projects directly related to 2010 is largely insignificant in the national context. For example, two of the largest projects, the construction of Soccer City and the Green Point Stadium only employ approximately 1600 (Mail and Guardian, 2007b) and 1200 workers respectively (Cape Argus, 2007b). If each one of the five new stadia employed 1600 workers, and the five being re-developed half that number, the total employed on construction would approximate 12 000. The assumptions used in calculating the figure are quite liberal; since only 400 workers were employed for the upgrades performed at the Free State Stadium in Bloemfontein (BuaNews, 2008). During the first quarter of 2009, there were 1 126 000 people employed in the construction industry, which is the 6th largest sector by employment in South Africa (Statistics South Africa, 2009a: VI). Therefore, construction directly related to the World Cup only contributes towards approximately 1% of employment in the industry. The Financial Mail Campus (2009: 7) claimed that 20 000 workers were employed for construction of the stadia, which still only equates to 1.8% of the total industry employment. Other construction projects that have been tenuously linked to the World Cup, such as the Gautrain have not been included, as such infrastructural developments would have been undertaken regardless of whether South Africa had hosted the World Cup or not. The issue of investment in infrastructure will be addressed in further depth during the chapter. Even with the optimistic assumptions used here, it is evident that the World Cup is not the generator of employment opportunities that some purport it to be. While minimal increases in labour force participation will be experienced during, and in the build up to the World Cup, the effects will be principally limited to re-distribution of wealth as opposed to increasing GDP. The issue of displaced spending is again relevant. Expenditure on government

sponsored construction projects related to the Cup is simply a shift in expenditure, and does not serve to enhance GDP in the short-run. It is important to note that government spending on the World Cup means that another opportunity has been forgone, so where labour has been created for the event, other labour opportunities have been eliminated.

Even though the situations described only provide short-term labour, it should not be seen as a failing of the event, rather it is what would be expected of an occasion of this nature. That the event increased employment at all is beneficial, even if it is only short-term, expectations of immediate increases in long-term employment are not justified. Criticism for failing to significantly aid employment levels should fall upon government officials who chose to pursue the World Cup as a public policy, since other projects may have had the capacity for greater increases in employment and economic growth. The value of 2010 as a public policy will be addressed at the end of the chapter.

It is appropriate to focus on the structural and not the transient effects of the event; the transient being the short-term labour, and the structural referring to the long-term impact on labour and capital markets. The most prominent labour and capital market effects of World Cup will not occur in the build up to or during the event, but rather as a result of the event's efficacy in stimulating FDI and tourism in the country, above levels that would have ordinarily occurred had the event not taken place. A greater focus will be given to the relationships between 2010 and growth in FDI and tourism later in the chapter. Hence, short-term economic impact studies cannot encapsulate the most important implications of the event on labour and capital markets.

5.3. Sustainability of Stadia

Studies of the economic impact of mega-events are characterised by discussion of the sustainability of the stadia that have been developed expressly for the occasion (Ap and Zhou, 2009; Bass and Pillay, 2008; Bohlmann and van Heerden, 2008; Gursoy and Kendall, 2006). Investment in facilities specific to the mega-event being prepared for,

often result in the development of ‘white elephant’¹³ stadia that thrive during the event, but afterwards prove too large and impractical for regular usage. The issue is of particular relevance for members of the public who are concerned that facilities will “end up costing considerably more than they are worth to maintain as happened most notoriously in Montreal in 1976, but also in Atlanta, Sydney and Athens (Olympic Games)” (Horne, 2007: 91). Cornelissen et al. (2008: 66) observed that “without careful strategic planning, major infrastructure developments may become ‘white elephants’ after the hosting of the event.” Existence of such burdens will undermine the positive legacy of an event. Therefore in developing facilities for mega-events there needs to be a significant focus on determining what the purpose of facilities will be after the event. The issue is especially relevant to the 2010 World Cup context. For example, the Nelson Mandela Stadium in Port Elizabeth will be required to generate R20m in revenues per annum in order to be self-sufficient and not become a burden on local tax payers (Herald, 2009b). Cognisant of the risk in sustaining stadia, the LOC (2008: 20) rather optimistically assured the public that “(i)ntensive planning has gone into ensuring that the stadiums will be versatile, multipurpose facilities that will not only serve a variety of sports codes, but will also be suitable for entertainment and other community uses following the FIFA World Cup.”

With regards to football, there has been a growing trend of hosting tournaments in countries that are not traditional footballing powers in an effort to spread the game around the world. The practice can result in the new developments directly related to hosting being unsustainable post the event. Football’s European Championships for the continent’s top sixteen nations was held in Portugal in 2004, jointly held by Austria and Switzerland in 2008, and will be hosted by both Ukraine and Poland in 2012 (Union of European Football Associations, 2009). As emerging football forces the host nation’s domestic leagues are not popular, commercial or competitive enough to sustain a variety of new stadia built solely for the European Championships. For example, a new stadium with a capacity of 30 000, was built in the Portuguese town of Braga, which was completely inappropriate to be the home stadium of a team, which at the time of

¹³ The phrase ‘white elephant’ is alleged to have derived from the practice of the King of Siam (modern Thailand) whereby he would give elephants to his rivals. Since the elephants fulfilled only symbolic purposes, the cost of maintaining the animal was more than they were worth (Horne, 2007: 94).

construction drew an average attendance of 5 000 in the Portuguese League (Economist, 2004: 28). The maintenance costs of such a stadium are beyond the means of its incumbent. The problem is not specific to the European Championships; Japanese stadia built for the 2002 World Cup have become redundant. Horne and Manzenreiter (2004: 190) maintained that a full account of the cost of hosting the World Cup “must include the US\$ 4.6 billion investment Japan spent on ten state-of-the-art stadia, as well as the huge costs of maintaining the prestigious yet mainly useless ‘white elephants’ with capacities exceeding average J League¹⁴ spectator demand by more than 100 percent.” Actually, some stadia in Japan and South Korea had to be demolished due to under-utilisation (Bohlmann, 2006: 20). The existence of ‘white elephant’ stadia is not however a uniform consequence of hosting. The construction of the Allianz Arena in Munich for the 2006 World Cup in Germany is an example that investment in stadia can be productive if the broader footballing infrastructure exists in the nation. The €340m investment, which has a capacity of 69 900 is now the home venue of Bayern Munich (Allianz-Arena, 2009), one of the world’s largest and most successful club teams, which plays in the Bundesliga.¹⁵ However, if the domestic football scene cannot sustain the new venues, the development of multi-purpose facilities that can be used for a variety of sporting occasions is also an option.

The issue of sustainability is certainly a concern with regards to the stadia constructed for 2010. The Premier Soccer League (PSL), South Africa’s highest professional football league, is similar to the smaller European leagues such as the Portuguese League in that attendances at games are not proportionate to the stadia within which the games will be played. The problem of sustainability is an issue that should be expected in a developing nation without a strong *commercial* football culture. Without reference to the populace’s passion for football, there is simply not as much money involved in the domestic game as opposed to the larger European Leagues where expensive stadia can be maintained by the national leagues. As an example, in 2006 the average salary for a player in the English Premier League was £676 000 per year (Independent, 2006). In contrast, the average

¹⁴ The J-League is the top tier of Japanese league football.

¹⁵ The Bundesliga is the top tier of German league football.

annual wage in 2008 in the PSL was £12 840 (BBC, 2008a). Therefore, it is naive to make such large investments into stadia in a nation where the domestic competition cannot support the infrastructure.

The Moses Mabhida Stadium in Durban has a capacity of 70 000 (Government Communication and Information System, 2008: 3)¹⁶ and was constructed specifically for the World Cup, but its function after the event is ambiguous. There are two Durban based teams that currently participate in the PSL, AmaZulu and Golden Arrows, whose average attendances at homes games during 2008 were 6 000 and 10 250 respectively (PSL, 2008). It is thus quite patent that neither of these two franchises could possibly be the resident team in the stadium. Alternatively, the Durban-based rugby team, the Natal Sharks, may move across the road from their current home venue, the 52 000-seater Absa Stadium to the Moses Mabhida Stadium (eThekweni Online, 2009). However, the potential change in home for The Sharks has been a contentious issue. Jordaan has stated that the decision to “demolish the Boet Erasmus stadium in Port Elizabeth had already been taken and that both Newlands¹⁷ and the Absa stadium in Durban would share the same fate in time” (Cape Times, 2009a). Jordaan went on to say that had South Africa won the bid to host the Rugby World Cup in 2015, fixtures would be held at the new stadiums. Unfortunately, the bid has subsequently been awarded to England (Mail and Guardian, 2009a). Jordaan has also declared that stadiums “have a life cycle of between 50 and 70 years... Some of the rugby stadiums are coming to the end of their cycles” (BBC, 2009a). Sharks Rugby CEO Brian van Zyl responded to suggestions that the Sharks would move out of the Absa Stadium by declaring that the “first section of our stadium was built in 1995 and since then there have been major renovations. Jordaan's opinion of Absa (Stadium) is subjective” and that it was an emotive issue because the stadium is a part of the culture and heritage of Sharks Rugby (Cape Times, 2009a). Siegfried and Zimbalist (2000: 95) suggested that “sports facilities seem to exhibit a useful economic life of around 30 years,” in which case the Absa Stadium is yet to reach the half way point in its life cycle. Hence, the identity of the future resident sporting

¹⁶ The Government Communication and Information System will be referred to as the ‘GCIS’ for the remainder of the paper.

¹⁷ Newlands Stadium, in Cape Town, is the home of the Western Province Rugby Union.

franchise in the Moses Mabhida Stadium is very uncertain, a situation which prompts some to believe that in “South Africa the scope for post-tournament usage of the new large stadia seems modest” (Du Plessis and Maennig, 2007: 12).

Irrespective of the uncertainty regarding regular sporting events at the Moses Mabhida Stadium, it is not the objective of project organisers for the venue to be a single code sporting facility, but rather a multi-function events facility that can attract visitors all year round. According to Julie-May Ellingson who is in charge of the eThekweni Municipality's Strategic Projects Unit and 2010 Programme, the complex has over 7 200 square meters of retail space, a conference centre, 160 hospitality boxes, and is “intended to serve a multitude of functions including rugby and football matches, motor-cross events, athletics competitions, as well as serve as a concert and special events venue” (BuaNews, 2008a). In addition, there is a cable car which will rise to a viewing platform at the top of the 350m arch from where visitors can experience panoramic views of the stadium, Durban city and the Indian Ocean (FIFA, 2009c).

Cornelissen et al. (2008: 37) warned that the “use and refurbishment of existing facilities is perhaps a more guaranteed way of avoiding white elephants.” Such a policy may have been more prudent with regards to the construction of the Moses Mabhida Stadium. Similarly, the upgrades could have been made to Newlands Stadium in Cape Town, as opposed to the newly developed Green Point Stadium. In trying to comprehend why the decision was made to build new, as opposed to re-develop current stadia to meet FIFA requirements, economists Du Plessis and Maennig (2007: 19) formulated an interesting, yet speculative argument that irrespective of the economic sustainability of a stadium itself, it can offer far more significant long-term effects. By creating “an architectural legacy with lasting positive impact... Iconic buildings provide an aesthetic focal point for a city and could become a springboard for other urban developments and recreational facilities.” Hence, the stadia may stimulate urban regeneration in the areas in which they are built and do not necessarily need to be self-sufficient if they can uplift the greater environment that surrounds them. Du Plessis and Maennig (2007: 19) quite curiously posited that the striking architecture of the Moses Mabhida Stadium may aid Durban in

“getting (it’s) name on the world map” in a similar manner that the Sydney Opera House aided the Australian city.

While there are opportunities for the Moses Mabhida Stadium to be used post-2010, Jordaan has admitted that he has concerns regarding the sustainability of two of the new stadiums, specifically the Peter Mokaba Stadium in Polokwane and the Mbombela Stadium in Nelspruit (BBC, 2009a), since for the 2009/10 PSL season there are no teams based in either of the cities (PSL, 2009). Each of the stadia will only host four group stage games during the World Cup (FIFA, 2009d: 7), and according to the National Treasury, in 2006 the Mbombela and the Peter Mokaba had budgets of R885m and R679m respectively (Mabugu and Mohamed, 2008: 8). Hence, the long-term fates of the stadia are rather uncertain. The LOC may be criticised for making such developments in areas where long-term sustainability may be problematic. However, it could be argued that investment in smaller cities in rural districts may be made with the intention that “economic spill-over from activities associated with the tournament and its preparation” (Du Plessis and Maennig, 2007: 22) will stimulate economic growth in traditionally under-developed parts of the country. While the intention of such an economic policy is good, the expectation that the requisite spill-over effects will occur to the extent that the stadium does not become a burden on the local economy is rather ambitious and theoretically unfounded.

The present value of the cost of sustaining the new stadia can be approximated. The Discounted Cash Flow Model was employed, as explained by Pearce et al. (1971: 35):

$$V = \sum C / (1 + r)^N$$

Where, V = present value

C = benefit the period

r = discount rate

N = time period

Given the information gathered in the discussion thus far, the following assumptions can be made:

1. The 5 new stadia will each be required to generate an average of R22m per year in revenues, in order to be self-sufficient.
2. Maintenance costs increase at 5% per year due to inflation.
3. The average life span of a stadium is around 60 years.
4. On average, each stadium is assumed to generate 50% of their required revenues.
5. Assume a discount rate equal to the yield on the 10-year South African Government Bond Prime Rate of 10.5%.

Therefore, the yearly cost of maintaining stadia is equal to R55m,¹⁸ and when summed over a 60 year period, discounted at the 10.5% rate, the present value of sustaining stadia is estimated at R953m.¹⁹ The figure will be included in the final summation of the total costs of hosting the 2010 World Cup.

Despite efforts to make the stadia useful for other than sporting purposes, a stadium will need a regular and substantial flow of income if it is not to become a burden on all levels of government and ultimately on taxpayers. A yearly athletics meet, and the occasional conference at an otherwise dormant stadium will not cultivate the essential positive legacy that it is hoped 2010 will deliver. Bohlmann (2006: 17) agreed that when “large expenditures on capital items such as stadiums are undertaken, owners must be sure that the stadiums can be used in a profitable manner in future. This entails being able to use the stadium at close to or at full capacity on a regular basis.” There have to be professional sporting franchises that occupy the new stadia throughout the year, though, Coates and Humphreys (2003: 2) maintained that a “growing body of evidence indicates that professional sports facilities, and the franchises they are home to, may not be engines of economic growth in urban neighbourhoods,” which is especially concerning for the 2010 context as the new stadia do not even have franchises to house.

¹⁸ $(R22m \times 5)(0.5) = R55m$

¹⁹ See *Appendix B* for full calculations.

5.4. Inflationary Effects

Dwyer et al. (2006), Kim et al., (2006) and Syzmanski (2002) have explained that inflationary effects can be expected to accompany the hosting of mega-events. That the exogenous increases in demand are short-term, localised and intense means that the inflation will not be uniform throughout the host region and across different goods and services. The temporary demand increase, which is disproportionate to capacity, forces an excessively high price increase. Short demand shocks as provided by the staging of events will more than likely prompt a smaller impact on output, but a far more significant impact on price, than if comparably sized shocks occurred for a longer duration (Dwyer et al., 2006: 64).

In the 2010 context, Bohlmann and van Heerden (2008: 393) predicted an increase in consumer prices of between 1.21% and 1.24%. Mabugu and Mohamed (2008: 11) argued that whether the exogenous demand injection will cause sustained real effects on economic activity depends on the shape of the aggregate supply function. If the function was assumed to be vertical “then there would be no lasting real impact and all that would be observed is higher levels of inflation.” However, the time period over which preparations for the World Cup have been undertaken cannot be regarded as the short-run which implies that a perfectly inelastic aggregate supply function is improbable. Firms and individuals can adjust their supply to meet enhanced demand. Therefore, it can be assumed that the impact will not be entirely inflationary. However, the abrupt increase in aggregate demand will have inflationary short-run consequences. The long-run impact on inflation will depend on whether demand recedes, there is a reactionary increase in wage rates or there is an increase in potential GDP (Parkin, 2007). As has been seen in the labour market, construction industry wages have risen which may lead to “complete crowding-out, (where) the demand injection would simply lead to an increase in inflation and cause the composition of output to change, without any impact on output” (Mabugu and Mohamed, 2008: 10).

A negative reaction by local consumers to higher prices may reduce endogenous demand. Since spending by foreigners is an exogenous injection which works to enhance economic activity, the net effect is ambiguous. The final result depends on whether prices will be sticky after the World Cup, or if they return to pre-event levels. Sticky prices occur when “the population continues to set prices based on old plans and outdated information” (Mankiw and Reis, 2002: 1296), and do not adjust the prices and supply according to prevailing conditions.

During the event, if domestic firms and individuals substitute away from World Cup related expenditure due to inflated prices, their reactionary spending in other sectors of the economy will cause no net change in total output. Similarly, locals may simply opt to postpone expenditures until prices subside. In the instance that prices are sticky, locals may indefinitely forgo their planned expenditure, to the detriment of domestic economic activity, which is an example of displaced spending. In either case, the spending by foreigners would need to be great enough to offset the decreased expenditure by locals. According to Jordaan, 350 000 to 450 000 spectators are expected to visit South Africa for the World Cup (BBC, 2007), and thus there is a risk that the artificially high prices during the event may alienate local consumers in host regions. Since locals should far outnumber visitors it is possible that across-the-board inflation may result in little or no change in output despite demand from foreigners. Given the composition of the Consumer Price Index, universal inflation on all goods and services cannot be expected. Intuitively, those commodities that are explicitly related to the World Cup will experience significant changes, while consumer staples should remain constant. Under such an assumption, the hypothesis that a decreased demand from locals will completely undermine increased tourist demand can be rejected.

Tourist activities and accommodation should experience country-wide inflation, as in-between World Cup fixtures, foreigners are likely to travel throughout the country. The Minister of Environmental Affairs and Tourism, Marthinus van Schalkwyk has warned that price-hiking during the tournament could damage the reputation of the South African tourism industry post-2010 (Sunday Times, 2009b). The analysis of the tourism effects of

2010 will be expanded later in the chapter. However, it can be expected that concessions, bars, restaurants and fast food outlets will endure larger increases in prices in host regions as opposed to non-host areas. For example, retailers in towns on the periphery of the World Cup such as Pietermaritzburg and East London would probably not raise prices to the extent that those in Cape Town would due to the expected influx of visitors. Bohlmann and van Heerden's (2008: 393) inflation estimates refer to national averages, critically though there will be significantly divergent price levels in different regions of the country. Inflation can be regarded as an inherent cost of hosting, causing uneven distribution of inflationary consequences around the country. Non-hosting regions are likely to remain largely unaffected by inflation.

The occurrence of sticky prices needs to be considered as if suppliers of services, such as resorts and game reserves, do not revert to pre-World Cup price levels after demand has receded; there are two possible implications for the tourism industry: first, domestic tourists may substitute away from travelling domestically and do so abroad, reducing net economic activity locally. Alternatively, international visitors who were willing to pay higher prices during the World Cup may not be willing to pay higher prices to visit South Africa when the draw of the World Cup does not exist. While revenue per visitor is higher, some demand will be displaced, and the net economic impact is dependent on the elasticity of demand for South Africa tourist services. The greatest benefit to South Africa would occur if prices are not sticky, allowing demand and supply to interact post-event in order to derive appropriate prices that develop in the market and not artificially.

A more sustained and gradual change in demand for services will result in smaller, more appropriate changes in prices and capacity in the affected sector of the economy (Dwyer et al., 2006: 64), which is an argument against hosting mega-event. Ideally, prices will see brief, sharp volatility as they rise and then fall as the event passes through a region; and then carry on their initial trajectory. However, such an eventuality is by no means a certainty, as it is dependent on the behaviour of individual vendors and business owners, and as such modelling the *ex ante* economic impact is dependent on assumed behaviour

patterns. The greater the number of assumptions present in the study compounds the likelihood that predictions and reality will be divergent.

5.5. Foreign Exchange Impact

Dwyer et al. (2006) previously hypothesised that hosting a mega-event could stimulate an appreciation of the domestic currency in the foreign exchange market. Bohlmann and van Heerden (2008: 392) predicted a decrease in exports as a result, while Mabugu and Mohamed (2008: 18) predicted that increased imports would result due to higher income domestically; together the two factors would lead to a balance of trade deterioration. Fluctuations in the foreign exchange market could also negatively impact upon GDP leading up to and during the event. The event is expected to draw up to 450 000 foreigners (BBC, 2007), all of whom will have foreign exchange requirements, which could potentially cause an appreciation the rand. Hence, a decreased demand for South African exports priced in rands can be expected as they would have become more expensive internationally (Bohlmann and van Heerden, 2008: 392). Similarly, domestic demand for imports will increase as South African consumers substitute away from locally produced goods towards cheaper imports. The net result of the appreciation of the rand, is a leak of resources from the domestic economy, which would be accentuated in an export-biased economy such as South Africa.

Although the changes in the exchange rate would be expected to be negligible, the effects of the change have the potential to be a prominent factor in determining the final net economic impact of the event. While the argument is theoretically sound, to determine whether the rand could be expected to appreciate, the requirements of foreigners, needs to be understood in terms of the broader foreign exchange market in South Africa. The analysis offers useful insight into the scale of the World Cup in the context of the entire South African economy.

To model 2010 related demand for the rand, assumptions need to be made regarding the expected foreign exchange requirements of tourists while in South Africa; demand was

modelled based on three different sets of assumptions. Event-related demand for the rand was analysed in the context of the daily trading volume of the rand. The proportion of the daily volume that is due to the event should give an indication of events potential to affect total demand for the currency and hence its ability to appreciate the rand. As is evident in *Figure 3*, since 2000 there has been a clearly inverse relationship between the rand-dollar exchange rate and the trading volume. Short-term fluctuations in volume appear not to affect the value of the rand directly. It is rather the long-term trend in volume, which is inversely tracked by the currency's value. As trading volumes decrease so the rand depreciates against the dollar. The relationship explains that increased trading volumes would appreciate the rand. So, increased demand for the rand in 2010 could cause an appreciation if it constitutes enough of a percentage of the daily trading volume.

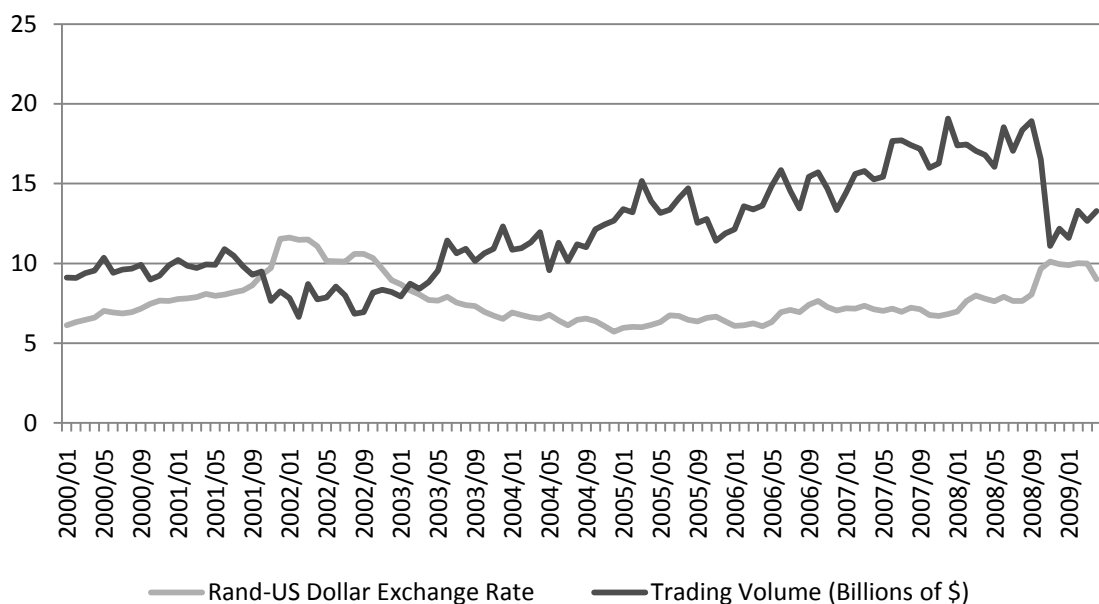


Figure 3. The average monthly rand-dollar exchange rate and average monthly daily trading volume of the rand measured in billions of US dollars, plotted against time since 01/2001.

Sources: South African Reserve Bank (2009b and 2009c)

The first set of assumptions includes probable expenditure patterns of tourists in 2010:

Table 5a. Set One: Minimal Expenditure.

Expenditure:	Cost (R):	Assumption that each tourist will:
Accommodation/night	12 000	Visit for half (15 nights) of the tournament spending R800 per night on accommodation.
Internal Travel	6 200	Make 4 domestic flights at R1300 each and hire a rental car for 8 days ²⁰ .
Food & Drink	3 750	Spend R250 a day on food and drinks.
Tickets	4 800	Attend 4 World Cup fixtures at an average cost of R1200. ²¹
Miscellaneous	2 250	Spend R150 a day on curios, tips and unforeseen expenses.
Tourist Activities	3 750	Spend R250 a day on tourist activities.
Demand for rands per visitor	32 750	
Demand for rands per visitor in US\$	4 094	Assuming a fixed exchange rate of R8 per \$.

Source: Based on assumptions made for the purposes of estimation.

From the above data, the daily demand for the rand due to World Cup related spending can be derived:

Table 5b. Estimated demand for rands from 2010 World Cup tourists, in U.S. Dollars under realistic assumptions.

World Cup Visitors	400 000
Spending per visitor	4 094
Total spending	1 637 500 000
Rand demand per day in US\$	21 833 333

An estimate of 400 000 visitors' accounts for displacement of normal tourists. The total demand was averaged over a 75 day period to determine demand per day; including the one month of the event and one and a half months before-hand where individuals will satisfy their foreign exchange demand before travelling, as well as pay deposits for accommodation and other activities prior to departure for South Africa. The months

²⁰ See *Appendix C* for an explanation of flight and car hire costs.

²¹ Tickets for matches during the World Cup are available for between R140 and R6300.

during which demand should be heightened are May, June and July, and it is assumed that the daily trading volumes in 2010 will be similar to those of 2008 during the same three month period. The amount of rands demanded (US\$21.8bn) seems at first sight to be a considerable addition to total demand, however, when analysed in the context of the rand's average daily trading volume, it becomes rather insignificant, namely 0.13%. Hence, the event's ability to cause an appreciation of the rand is doubtful and, in reality, is quite implausible.

Table 5c. Predicted percentage of average daily trading volume for the rand during May, June and July 2010 due to World Cup related demand under realistic assumptions.

Date	Average Daily Rand Trading Volume (US\$bn)	World Cup Demand as % of Average Daily Volume
2008/05	16.04	0.13610
2008/06	18.53	0.11782
2008/07	17.05	0.12806
Average	17.21	0.12733

Source: South African Reserve Bank (2009b)

On the basis of the first scenario, Bohlmann and van Heerden's (2008: 392) predicted decline of 3.03% in exports due to an appreciated rand seems improbable. Therefore, it is expected that the the impact on balance of trade will remain ambiguous.

The second set of assumptions relaxes the parameters set out in the first scenario:²²

- Visitors were assumed to visit for 5 further nights, and R200 more per night of accommodation was budgeted for.
- 1 further flight was assumed to be taken, with 2 more days worth of car hire.
- 2 additional fixtures were attended.
- R250 extra per day was set aside for tourist activities.
- 450 000 tourists were expected.

²² See *Appendix D1* for full calculations.

- further days worth of expenditure onto accommodation, food and drinks, miscellaneous and tourism activities.
- The total demand for rands was spread of over 60 days, and an appreciated R7.50 per dollar exchange rate was used.

The cumulative effect was that rands demanded per day, measured in US dollars, rose by \$20.5m to \$42.4m. In terms of the daily trading volume, the impact was still found to be negligible, at 0.25%.

Table 5d. Predicted percentage of average daily trading volume for the rand during May, June and July 2010 due to World Cup related demand under relaxed assumptions.

Date	Average Daily Rand Trading Volume (US\$bn)	World Cup Demand as % of Average Daily Volume
2008/05	16.04	0.26406
2008/06	18.53	0.22859
2008/07	17.05	0.24846
Average	17.21	0.24704

Source: South African Reserve Bank (2009b)

A final set of parameters²³ were tested in order to demonstrate with greater certainty as to whether higher demand during the World Cup would appreciate the currency. The very liberal assumptions expanded upon the relaxed assumptions:

- It was assumed that the average length of a tourist trip would be the entire duration of the event, 30 nights, which added 10 days worth of expenditure onto accommodation, food and drinks, miscellaneous and tourism activities.
- 2 further flights and 5 more days of car hire were accounted for.
- R250 extra was added to tourist activities per day, giving R750 per day in total.
- The miscellaneous expenses were increased to R500 per day.
- A total of 8 match tickets at an average cost of R2000 were purchased.
- 500 000 tourists were expected.

²³ See *Appendix D2* for full calculations.

- The total demand for the rand was averaged over 45 days, using an exchange rate of R7 to the US dollar.

The daily demand for rands was calculated to rise by R161.7bn under the most liberal assumptions, approximately 7.5 times the demand estimated under the most likely conditions. While the demand is far higher, its impact on total trading volume remains largely inconsequential at less than 1% as seen in *Table 5e*.

Table 5e. Predicted percentage of average daily trading volume for the rand during May, June and July 2010 due to World Cup related demand under very liberal assumptions.

Date	Average Daily Rand Trading Volume (US\$bn)	World Cup Demand as % of Average Daily Volume
2008/05	16.04	1.00901
2008/06	18.53	0.87348
2008/07	17.05	0.94941
Average	17.21	0.94397

Source: South African Reserve Bank (2009b)

The event would have to stimulate a long-term trend of increased volume in order to impact the value of the rand. Since the effects of the World Cup are so minimal when looked at in the broader context of the South African foreign exchange market, no appreciable effect on the value of the rand can be expected; hence the event should have no significant impact on exports.

Despite the conclusion that demand for the rand from tourists will have an insignificant effect on its strength, nevertheless, a change in value during and before the World Cup should rather be associated with the impact that South Africa's staging of the event has on international investor sentiment, which is a contradiction of the argument advanced by Dwyer et al. (2006). (The implications of changing investor sentiment will be addressed later in the chapter in the section discussing Foreign Direct Investment).

To conclude, the demand for currency by tourists may have the capacity to influence exchange rates in economies without the sophisticated financial markets in South Africa;

however, the sheer volume of day-to-day trading undermines the impact that such a demand influx could have on the South African currency.

5.6. Tax Revenues

Supporters of hosting mega-events regularly “claim that tax revenues will increase as a result of the construction of new sports facilities” (Coates and Humphreys, 2003: 18). The situation is no different for 2010, as Grant Thornton (2003: 2) cited additional tax revenues as a reason why South Africa should bid to host the World Cup. That increased taxes are regarded as a *bonus* secondary effect of the event seems to be misguided. Enhanced tax collection should not be seen as a benefit, but rather as a necessity. Since, the World Cup is a largely government funded event, government needs to be compensated for their capital investment. Increased tax revenues can be a means of funding for the tournament.

The view that hosting mega-events will augment tax collection in the region is contested by the majority of scholars. Dwyer et al. (2006: 62) claimed that being a host of an event will impact negatively upon national tax revenues. Crompton (2006: 76) argued that taking taxes from residents on event related expenditure is irrelevant “because it is likely that those funds would have been spent in the community if the government had not taken them.” While there is no net change on domestic output, it does aid the governments funding of the event. Preuss (2002: 11) has conversely offered an unsubstantiated view that mega-events have increase tax revenues. Keating (1999: 18) maintained that everybody who pays “taxes to support the facility (or event) must reduce his or her spending. The diminished spending goes around and round just like the positive multiplier effect,” causing a negative multiplier. Siegfried and Zimbalist (2000: 108) stated that sports facilities cannot be expected to generate additional amounts of output in a city following construction, and so they should not be expected to augment tax collection once in operation. It is an example of the displacement effects that accompany hosting mega-events. Coates and Humphreys (2003: 9) agreed that “(n)o evidence exists that professional sports have a detectable impact on ... tax revenues.” Further, since the

local population have changed their consumption patterns during the event, there will be greater variation in the tax that is collected because different sectors of the economy are taxed differently, causing a degree of unpredictability of tax revenues (Dwyer et al., 2005: 357). For example, increased prices on alcohol products (that are subject to high ‘sin taxes’) could see consumers substitute away from them towards other goods which are not taxed as heavily.

As detailed in the analysis of inflation, domestic individual’s demand responses to inflated prices may further undermine the tax collection process, placing greater importance on strong demand from tourists. Hence, increased collection depends on increased taxes received as a result of purchases of domestic goods and services by foreigners. Unfortunately for the 2010 context, FIFA has imposed similar restrictions on the collection of tax revenue as it has with concessions, merchandising and sponsorship. The 2010 FIFA World Cup Special Measures Act includes guarantees by the South African government to FIFA defining special allowances with regard to taxation of FIFA and its affiliates, in that there have been “amendments to the Value Added Tax Act, Income Tax Act and the Customs and Excise Act” (GCIS, 2008a: 4). The legal adjustments essentially create “a ‘tax-free bubble’ around FIFA-designated sites²⁴ so that profits on consumable and semi-durable goods sold within these areas will not be subject to income tax” (GCIS, 2008b). VAT will not be applied in the areas either as goods and services are set to be zero-rated. The bubble will apply to concession stands that sell food, beverages or merchandise; some services will also receive these exemptions if they are deemed necessary for staging the tournament. Certain event-related individuals will also qualify for import-tax relief on certain items if the goods are set to be re-exported after the event. The exemptions apply to both South African residents and international individuals. In addition, the FIFA shop, which sells World Cup related merchandise, “will be considered a tax-free bubble for six months before the 2009 Confederations Cup until one month after the closing ceremony of the 2010 tournament” (GCIS, 2008b).

²⁴ The sites include the World Cup stadia, FIFA-designated exclusion zones, official tournament parking areas, press and television centres, training sites, official host city public viewing venues (also known as fan parks), VIP areas and any other area or facility utilised for official 2010 events (GCIS, 2008b).

The regulations imposed are another example of the stringent control which FIFA exerts over the World Cup. While the regulations improve the profitability for FIFA, they act to reduce tax revenues that the event generates for the South African government. Nonetheless, tournament “ticket sales will be subject to VAT at the standard rate of 14% and FIFA, its subsidiary or any participating national association will be liable to SARS for the payment of VAT on the sale of tickets” (GCIS, 2008b). In addition, the tax protection does not extend to include the actual football players, who are “exposed to the ordinary application of South Africa’s tax system” (Price Waterhouse Coopers, 2009). Hence, the South African Revenue Services are not completely excluded from benefitting from the World Cup, however the extent of their reach is comprehensively undermined by FIFA restrictions, therefore, the hope for amplified tax revenues during 2010 should be considerably tempered.

5.7. Escalating Financial Costs

One of the most prominent obstacles to overcome in calculating the net economic impact of the 2010 World Cup is determining exactly how much the event costs at all levels of government. The many different estimates published in the popular press, government press releases and academic papers, have only one common feature, namely that since the bid process began, the estimated cost has risen continually. The following section will attempt to detail the chronological change in estimated financial costs of stadia for the World Cup. Secondary costs that are at times intangible and less easily quantified will be addressed in the section thereafter.

As a prelude to an analysis of total costs, the increases that have occurred for specific World Cup venues will be detailed. The initial cost of renovations to Vodacom Park in Bloemfontein were estimated at R33m (BBC, 2009a), the 2006 valuation of the upgrade was predicted at approximately R220m (Mabugu and Mohamed, 2008: 8) and by 2009 the expected cost was R305m (BBC, 2009a). With a 2006 budget of R1.6bn (Daily News, 2006) the Moses Mabhida stadium has seen a significant rise in cost, which by 2008 had reached R2.6bn with R300m being funded by KwaZulu-Natal provincial government,

and R1.8bn from national government (BuaNews, 2008). The increase led to a R500m shortfall of funding, with both provincial and national governments not willing to finance the remaining cost (BBC, 2009a). It can be expected that the final deficits will have to be financed by local municipalities (Times, 2009f). The Green Point Stadium has had similar budgetary problems in terms of who should fund the difference between predicted and actual cost, with the banking group, Investec, providing a loan to finance the deficit (SAPA, 2007). The stadium saw a sharp rise in cost since the tender was awarded in 2007, where the budget rose from an initial R2.5bn (Cape Argus, 2007a) to R2.9bn (SAPA, 2007). SAPA (2008) reported later that according to a mayoral committee member for finance, Ian Neilson, the final cost would be R4bn. Finally, in 2009 the figure was estimated at R4.4bn (Sunday Times, 2009c).

In terms of total stadia costs, since 2003 cumulative estimations have understandably followed a similar incremental trend as the individual stadia. An appropriate starting point is the estimate used by Grant Thornton (2003), which cited expected expenditure on stadia of R1.8bn. With the approximated benefit of R21.3bn (Grant Thornton, 2003), the World Cup as a government expenditure was predicted to derive a payoff of almost ten times that of the initial investment. With such impressive prospects, few would have been able to contest the decision to host the event. By 2005, the estimated costs of stadia had doubled to R3.6bn (City Press, 2005). The Financial Mail (2006a: 23) put the total cost at approximately R7.2bn, double the previous year's estimate. The figures can be compared to the R8.4bn that had been set aside by the National Treasury for stadiums in 2007 (South Africa.info, 2007b). According to the then Finance Minister, Trevor Manuel, government, by the end of fiscal year 2009, will have spent "a total of R11.5bn on building the stadiums" (Fin24, 2009a). Therefore, from 2003 to 2009 the cumulative expenditure on stadia by government increased more than six-fold.

According to Jordaan, the total cost of hosting the World Cup, including the development of stadia, infrastructure and operating costs is predicted to be R30bn (Fin24, 2009a); double the R14.9bn estimate from 2006 (South Africa.info, 2006c), and more than 13 times the figure of R2.3bn that was supplied by the South Africa 2010 Soccer World Cup

Bid Company, for use in the Grant Thornton (2003: 3) study. In contrast, Financial Mail Campus (2009: 6) reported that the total cost be around R28bn, with R9.8bn spent on stadia.

Table 6. Summary of stadia costs and total costs in billions of rands.

Year	Stadia Cost	Total Cost	Stadia Cost as % of Total Costs	Source
2003	1.8	2.3	78	Grant Thornton (2003)
2005	3.6	n/a	n/a	City Press (2005)
2006	7.2	14.9	48	Financial Mail (2006); South Africa.info (2006c)
2007	8.4	n/a	n/a	South Africa.info (2007b)
2009	9.8 - 11.5	28 - 30	35 - 38	Fin24 (2009a); Financial Mail Campus (2009)

Using the information from *Table 6*, the sharp trajectory of cost increases is evident in *Figure 4*:

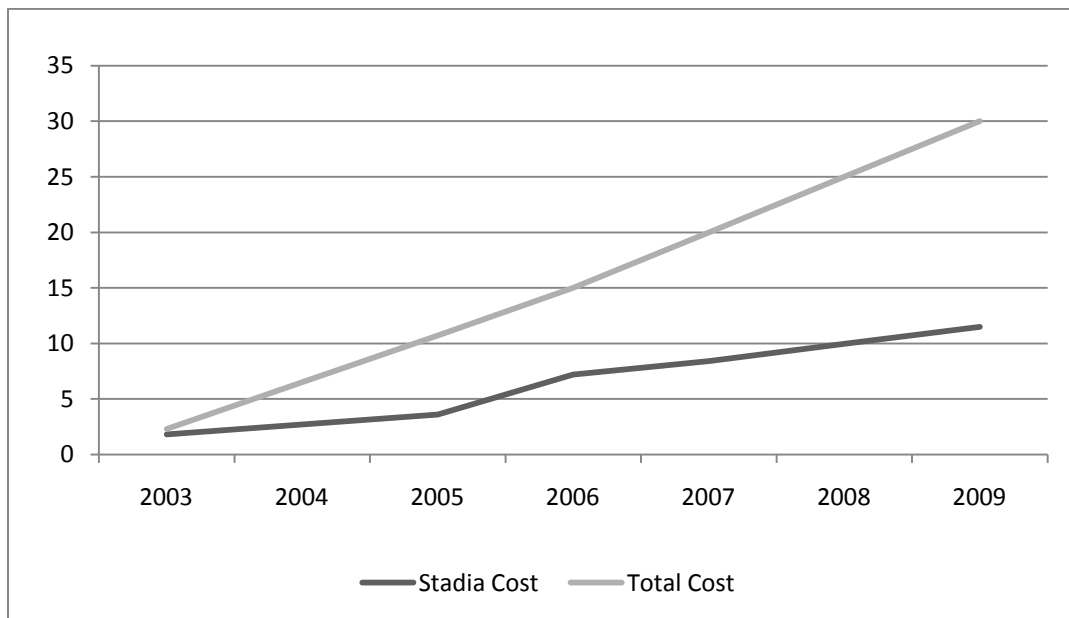


Figure 4. Estimates of total and stadia costs in billions of rands between 2003 and 2009.

Given the steady rise in costs, the relevance of forward-looking studies that seek to calculate a specific net economic impact figure is comprehensively undermined. Inputs to

an analysis are likely to be significantly different from actual values which are only available closer to the event, or perhaps only after it has taken place. Bohlmann and van Heerden (2008: 387) for example used data from the 2006 National Treasury Budget Review in their study; therefore, given that stadia costs alone have increased from R7.2bn to R11.5bn between 2006 and 2009, the conclusions which were derived in the study have been rendered largely irrelevant in 2009. However, having plotted the course of estimated expenditures on the event, it is pertinent to identify which possible economic or political factors have caused costs to rise so sharply, and resulted in such a disparity between estimates and actual figures.

Four factors have been identified whose existence and interaction may account for the ever increasing estimates:

1. The increased cost of inputs in the construction industry.
2. Depreciation of the rand against major foreign currencies.
3. Naive estimates of actual costs and poor planning.
4. Purposeful underestimation of costs as a means to winning over public opinion for staging the event.

A frequently cited cause of the disparity between estimates and actual figures is that of “rising input costs, especially steel and cement” (Business Day, 2007: 1). It should be acknowledged that between 2005 and 2008 steel prices escalated by 80 percent (BuaNews, 2008). In addition, cement prices have escalated steadily in South Africa as the industry’s capacity could not be expanded appropriately in the short-term to meet enhanced demand (Financial Mail, 2006b); prices rose some 25% during 2008 fiscal year due to higher diesel, electricity and coal prices (Engineering News, 2009). The increased cost of labour in the construction industry has already been well documented in the previous section on Labour and Capital Markets, and would have contributed to higher total costs. Given that prices have risen significantly during the construction period for the event, the inflated costs of stadia are partly due to higher than expected input costs.

The eThekweni Municipality's Strategic Projects Unit that oversees the construction of the Moses Mabhida Stadium have blamed the depreciation of the rand as a foundation for budget over-runs, having claimed that “(n)obody could ever have foreseen that” (BuaNews, 2008a). Through analysis of *Figure 5*, estimates of stadia costs produced before 2006 cannot cite the exchange rate for higher costs as the rand appreciated during 2003 and then remained moderately constant against major currencies throughout 2004 and 2005. While the rand depreciated during 2006, it was relatively stable in 2007 and appreciated towards the end of the year against the US Dollar and Pound Sterling. Since 2008 the currency has been volatile and depreciated significantly in the fourth quarter of 2008. Thus, the valuation of the currency may have played a role in escalating stadia costs. However the sharp depreciation against all three currencies at the end of 2008 were quite brief and by half way through 2009, the rates were similar to their levels at the beginning of 2008.

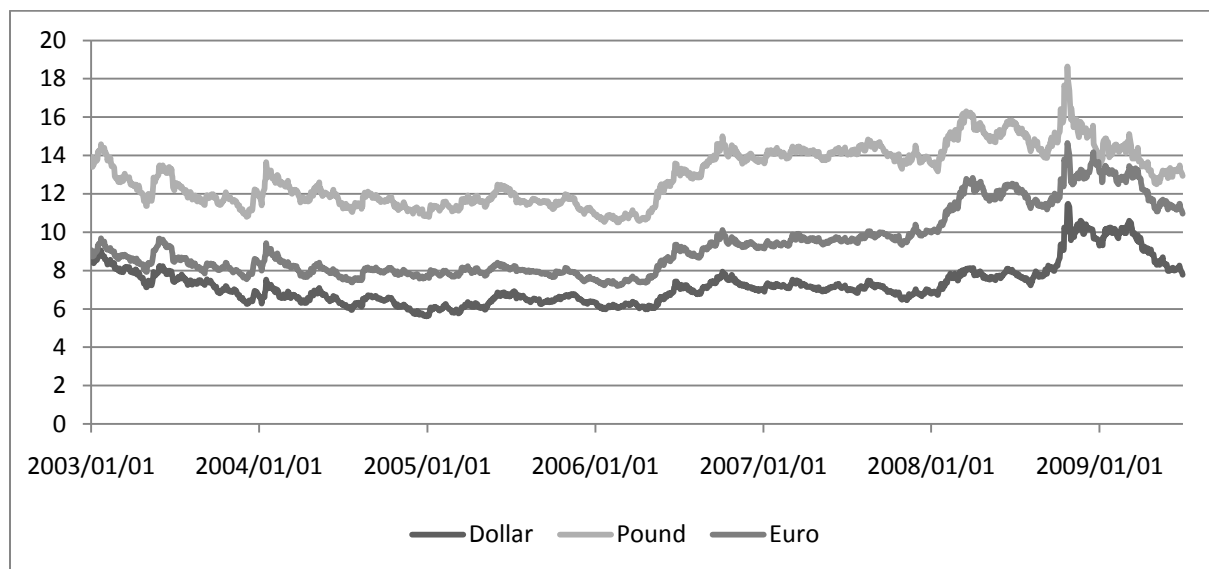


Figure 5. The rand exchange rate against the US Dollar, Euro and Pound Sterling between 2003 and the end of the second quarter of 2009.

Source: South African Reserve Bank (2009d).

The strong currency depreciation occurred for only around two quarters, hence holding the rand culpable for of the dramatically escalated costs of stadia is inaccurate. That the value of the rand and other inputs into the construction process are alleged to have been

the primary causes of budget over-runs suggests poor risk management, and naive planning of expenditures. The use of financial instruments and derivatives can minimise the risk that the depreciated currency could have on overall cost, so as organisers offer these factors as being to blame, they seek to deflect attention from their own shortcomings. To fail to make provisions in a budget for the potential depreciation of the rand, which is renowned for its volatility, is a remarkable oversight. Further, an interesting observation is that the cost of stadia, as a percentage of total cost, has fallen significantly since 2003; which shows a gross underestimation of the infrastructural requirements for staging 2010.

The estimate of costs by Grant Thornton (2003), provided by the Bid Company, estimated an all inclusive tangible cost to the government that appears to be an occurrence of the either the third or fourth factor listed above, the assumption is totally unrealistic. It is difficult to believe that organisers of the World Cup estimated that the cumulative cost of hosting would be only R2.3bn. The eventuality would be an incidence of the third factor, extraordinarily naive and inept budgeting for the event. Alternatively, organisers may have deliberately supplied inaccurate data during the bidding process, factor four. Scholars have warned that such deceptive behaviour may be employed by organisers of mega-events in order to win over opinion on the issue (Baade and Matheson, 2004a; 1090). If, in 2003 the Bid Company had declared that the event would cost R30bn in total or the stadia would cost R11.5bn, public sentiment towards hosting the event would likely have been significantly different.

There have been a variety of factors which have caused the cost of hosting the World Cup to follow a constant and sharp upward trajectory. However, critically for this study, that the costs have risen so drastically offers weight to the argument against the production of definitive, one-number *ex ante* economic impact studies. The net benefit of a project cannot be reliably considered given that the costs are either unknown or regularly changing. The result of an economic impact study that is conducted with erroneous inputs to the model, specifically government expenditure, is rendered null, as was the case with the Grant Thornton (2003) study. While using incorrect inputs gives inaccurate results, it

should not be regarded as a shortcoming of the authors of the study, if the data used was both correct at the time of publication and supplied by the organisers. That data is continually changing explains that conducting forward-looking economic impact analyses of mega-events is a futile endeavour. It would, nonetheless, be possible to develop scenarios of potential outcomes and perform sensitivity analyses. A truly accurate economic impact assessment can only be conducted once the event has taken place and a definitive cost is published by government.

5.8. Secondary Costs

While mega-events are widely associated with intangible benefits such as improved international image of the host and enhanced national unity, there are equally relevant intangible costs and negative externalities that are frequently neglected. Crompton (2006: 75) explained that translating such impacts into economic value may in some instances be relatively straightforward but are generally quite complex, and thus the costs are usually ignored. However, even if they cannot be translated they should nonetheless be described, qualitatively assessed, and included in a broader CBA. The existence of secondary costs suggests that a CBA which can include intangibles is preferable to a purely quantitatively based study. Secondary costs can be described as parallel linkages that while related to the event, are not explicitly “under the control of event organisers. Therefore, they are seldom part of any official final report and their outcomes, if controversial, are largely minimised or ignored” (Hiller, 1998: 50). It is thus the objective of the following section to highlight those secondary costs that can be expected to accompany the staging of 2010. The effect of secondary costs is that they ultimately lead to a disruption of host residents’ lifestyles (Crompton, 2006: 72) and the ordinary functioning of the country.

5.8.1. Prostitution

In the build up to 2010, a debate emerged regarding the potential legalisation of prostitution in South Africa. The idea was first introduced by the then South African

Chief of Police, Jackie Selebi, who urged that a “special temporary concession be implemented to make prostitution and public drinking legal, within parameters, for the duration of the 2010 Soccer World Cup” (Bird and Donaldson, 2009: 34). The suggestion was made on the grounds that legalising prostitution would allow greater regulation of the industry and allow police to focus on more serious crime (Mail and Guardian, 2009b). Further, demarcated red-light districts were argued to provide safe environments for women to work in, however those in opposition claimed that such legislation would be immoral and against family values (BBC, 2008b). The legalisation of prostitution is an emotive issue that has caused public protest. For example, in Durban some 200 women and men from different churches in KwaZulu-Natal marched to the premier’s office and handed over a memorandum urging legislators not to proceed with the legalisation. The group explained: it is a “shame that South Africa is prepared to sacrifice [its] own daughters to earn foreign money” (Witness, 2009). Hence, the concern exists that in legalising prostitution to meet the demands of foreigners, South Africa does so at the cost of its moral autonomy. Further, it would mean that domestic government policy would be dictated by the demands of foreigners, which acts to erode the nation’s sovereignty. In that sense, the legalising of prostitution can be regarded as a secondary cost of hosting the World Cup. Whether prostitution should be legalised or not is beyond the scope of this study, however, analysis of the issues which add to the cumulative cost or benefit of the World Cup is applicable.

The issue has come to the fore based on economic grounds; prostitution during the World Cup could be financially profitable. Increased demand for prostitutes from tourists can be regarded as a benefit of the World Cup as the services rendered may contribute to economic activity, and as such prostitution is not a secondary cost. However, due to its association with human trafficking, and moral concerns it is included here. While prostitution is illegal in South Africa, the sex industry is known to thrive during mega-events and can “cause an influx of prostitutes to host cities” (Bird and Donaldson, 2009: 33). It is thought that South Africa can expect an influx of sex tourists for 2010 (Richter, 2008). In 2006, “Germany had many adult entertainment centres during the World Cup in 2006, which were very popular with visitors” (BBC, 2008b). It is therefore clear that sex

tourism is an industry, and is not just *present* in some countries; it is a central facet of tourism industries in countries such as Cuba, Thailand and the Philippines (Clancy, 2002: 65). Sex tourism can be defined as residents of one country that travel abroad and exchange something of material value in return for sexual services from individuals in the host country, and “ranges from those travellers who go abroad for the explicit purpose of purchasing sexual services, to sexual predators who target children, to those who might be considered situational sex tourists” (Clancy, 2002: 72).

Sex tourism leads onto the serious problem of human trafficking. Prior to the 2006 World Cup there was a widely publicised claim that some 40 000 women and children would be trafficked into Germany to satisfy increased demand from tourists (Bensinger, 2006; Tavella, 2007). The concerns raised issues of “potential linkages between large international events and increased human trafficking” (Tavella, 2007). According to Bird and Donaldson (2009: 35) there are similar concerns relating to 2010 as child and human rights organisations have “warned that human trafficking could worsen in the country ahead of the World Cup, with trafficked women and children being forced into the sex industry.” The International Organisation for Migration (2007: 5) has since discredited the German estimate; maintaining that it “was unfounded and unrealistic,” and that an increase in human trafficking did not occur during or after the event. It does not however mean that trafficking will not take place in 2010; traffickers operate in South Africa and its neighbouring nations as borders are porous and often passports are not needed to move between countries (BBC, 2009b). It is thus anticipated that there could be a surge in human trafficking during the 2010 (Times, 2009a). Therefore, the issue of human trafficking may be a prominent secondary social cost of hosting 2010. It should be acknowledge however that trafficking requires prior logistics and investment by traffickers, and that a short-term event may not be perceived as sufficiently profitable enough given the necessary preparations (International Organisation for Migration, 2007: 6).

According to Clancy (2002: 75) sex tourism has ‘flourished’ in South Africa. The claim is surprising as South Africa has one of the world’s largest prevalence of AIDS with an

estimated 5.2 million people infected (Statistics South Africa, 2009b). Nonetheless, legalisation in 2010 could be financially beneficial for sex workers as well as government who should theoretically receive increased tax revenues. Failure to legalise the industry could leave a segment of demand from tourists unsatisfied such that the cumulative economic impact of the event may be restricted to below its potential. However, legalisation could actually be irrelevant; a prostitute interviewed commented that whether prostitution is legal or not, she would continue to work (Witness, 2009).

5.8.2. Congestion

The issue of congestion is commonly cited as an indirect cost of hosting a mega-event (Dwyer et al., 2006; Gursoy and Kendall, 2006; Matheson, 2003), where both traffic congestion and overcrowding in public places are relevant concerns. The primary issue is that it can be expected to disturb the everyday activities of local individuals and businesses (Bob et al., 2003: 227) who may have to adjust their daily routines in order to cope with overcrowding, leading to efficiency losses. Expectations of congestion should also have an impact on tourists to the host; however the issue will be discussed later in the chapter. In addition, Crompton (2006: 72) explained that local residents may leave their “host community if it is inundated with tourists and spend money elsewhere rather than in their hometown to avoid congestion.” Therefore, the perception that host cities will be overcrowded leads to a displacement of locals, and causes them to change their spending patterns. Failure to include such changes in an economic impact study will cause inflated estimates (Baade and Matheson, 2003: 9).

In a survey by German research firm ‘Sport and Market’ it was established that 53 per cent of South Africans expect increased congestion over 2010 (FIFA, 2009f). That locals are aware of the impending overcrowding indicated that they may take measures to avoid host regions. For example, a Johannesburg resident was quoted by the BBC (2009c) as already “planning to spend the first three weeks of the competition out of the country, just to get away from the crowds & the hysteria.” Anecdotally, the South African National Arts Festival CEO, Tony Lankester (2009), commented that early bookings for the 2010

Festival in Grahamstown, by Johannesburg locals, have been far higher than the previous years. The festival's dates coincide with those of the World Cup. The observation revealed the benefits for non-hosting cities, as locals in host cities may vacate them in favour of quieter regions around the country. So, while non-hosts may not enjoy the full benefits of greater numbers of foreign tourists, they could be compensated by influxes of domestic tourists.

Kim et al. (2006: 93) in a survey of South Korean locals in host cities for the 2002 FIFA World Cup found that traffic congestion was the most prominent secondary cost during the tournament. In the 2010 context FIFA have requested that the fast lane on national highways to be reserved for official FIFA vehicles (Arendse, 2009). At the 2006 event in Germany specific lanes on highways were set aside for exclusive use of FIFA officials and teams (du Plessis and Maennig, 2007: 3). Therefore, it seems likely that similar conditions will prevail in 2010, which will amplify the already likely traffic congestion troubles. Increased congestion can also lead to a greater number of road accidents (Crompton, 2006: 75). Even though the effects of congestion cannot be easily quantified, it is a factor that must be included in the final summation of costs and benefits when analysing the net impact of an event.

5.8.3. Hooliganism

Hooliganism is one of the most prominent negative externalities of hosting (Barget and Gouguet, 2007: 166). Mega-events in general are an ideal platform for terrorist attacks and organisers thus have to deal with that security threat (Essex and Chalkley, 1998: 203), but for football events, public safety concerns are amplified by the additional problem of hooliganism (Brenke and Wagner, 2006: 27). South Africa's geographical remoteness from the perceived high-risk terrorism regions has aided growth in tourism due to a tourist substitution effect to South Africa away from those region (Cornelissen, 2004: 94), and as such terrorism is less of a security concern for 2010 than for other mega-events held elsewhere. South Africa has almost no history of terrorism since the end of Apartheid. The need to prepare for the risk of hooliganism is not as prevalent in

the organisation of other sporting events, as it is for football events, as the sport is strongly associated with poorly behaved fans. Therefore, the opponents of hosting mega-events frequently use the risk of hooliganism as a reason why the tournament should not be hosted in the region (Oldenboom, 2006: 18). In a survey by Cornelissen et al. (2008: 59), 70% of respondents in Cape Town “strongly agreed” that hooliganism would be a problem during 2010.

Failure to cope with football hooligans can have negative effects on the image of the host (Brenke and Wagner, 2006: 31). In addition Crompton (2006: 75) and Matheson (2003: 13) have both indicated that vandalism could accompany a mega-event, where vandalism is linked to the behaviour of hooligans. Aware of the problems posed by hooligans the LOC (2008: 28) has worked with foreign governments to identify and then prevent convicted football hooligans from abroad from visiting South Africa for the World Cup. South Africa has had its own struggles with football hooligans as was evident in the August 2009 fixture between Kaizer Chiefs and Ajax Cape Town where Chiefs fans reacted indignantly to a penalty decision against their team by throwing plastic bottles and vuvuzelas onto the field, as well as by damaging approximately 500 seats with the intention of throwing them too (Cape Times, 2009b). The fixture was stopped for several minutes and was later abandoned before full time. Spectators then tried to prevent the referee and linesmen from leaving the field (Times, 2009b). Such behaviour cultivates the negative perception that ordinary tourists have of football fans “in terms of their drinking, violence and hooliganism, (which) may (be) a further deterrent for non-football tourists” (Lee and Taylor, 2005: 601). Syzmanski (2002: 6) agreed that “many potential visitors may stay away, particularly from cities where teams noted for their hooligan following, such as England, are playing.” Hooliganism can therefore have negative impact on total tourist numbers.

Increased petty crime has also been cited as a social problem related with events (Bohlmann and van Heerden, 2008: 393). The costs of hooliganism, vandalism and petty crime can initially be easily quantified in terms of cost of extra policing, and the replacement and repairs to damaged property. The costs become more problematic to

calculate if organisers fail to control the three issues and the international image of the host is damaged.

5.8.4. Other Secondary Costs

Hosting mega-events can be associated with increased risk of communicable diseases (Price Waterhouse Coopers, 2005: 14). The increased tourist numbers from many different countries around the world may facilitate the spread of infectious diseases throughout South Africa, which may be especially prevalent in the spread of H1NI (swine flu) virus during 2010. South African Health Minister Aaron Motsoaledi has also warned that there could be an accelerated rate of HIV infections in South Africa as a result of the World Cup due to the influx of tourists (Reuters, 2009). Perhaps a more founded concern should be the infection of foreigners whilst in South Africa who then repatriate the virus, however, that should only be considered a cost to South Africa if foreigners start to regard South Africa as being a high health risk destination and the association negatively affects future tourism.

Higher real estate prices in host regions can be regarded as a legacy of hosting mega-events (Hall, 2006: 1). The situation is more relevant to the Olympic Games as opposed to the FIFA World Cup, as the development of an area of a city for the Olympics is a far more concentrated investment that should have a greater impact on local property prices. While a newly developed area for a World Cup stadium uplifts its surroundings, it does not have the equivalent scope of an Olympics to effect prices. Analysis of previous World Cups suggest that higher real estate prices may not transpire as the expected increases before the event in South Korea did not materialise (Kim et al., 2006: 93).

Another non-economic cost could be that of environmental degradation due to hosting (Matheson, 2003: 13). Both Barget and Gougnet (2007: 168), and Gursoy and Kendall (2006: 609) have maintained that construction of major facilities may have negative impacts on the “physical and natural environment, including pollution and the destruction or deterioration of natural, cultural or historical resources.” Horne and Manzenreiter

(2006: 10) however argued that the predicted environmental impacts of the construction of event facilities are usually comparable in their inaccuracy to general economic impact studies, as both that systematically overstate the predicted impacts. Nevertheless, the potential environmental impact of 2010 should not be neglected.

Roche (2006: 32) argued that the Olympics can be blamed for the cultural degradation of spectators and hosts, as the event promotes universalistic values, cultural standardisation and consumer culture. Kim et al. (2006: 89) concurred that events have societal costs that result in a negative influence on traditional family values and encourage cultural commercialisation. Domestic exposure to foreign brands and culture can have the ability to erode national cultural identity as well as leading locals to substitute to foreign products away from domestically produced goods. Conversely, hosting events can be seen as a means to close cultural divides between hosts and the rest of the World (Ap and Zhou, 2009: 3). However, in an increasingly globalised world, events which accelerate the process may be considered as a cost to the host.

5.9. Nation Building

The notion that mega-events stimulate nation building is a prominent facet of the broader argument for their hosting; the foundation for the belief was set out in *Chapter 1*. In *Chapter 2*, through analysis of the 1995 Rugby World Cup, and the 2003 Cricket World Cup, it was observed that the 1995 event was universally considered to have contributed significantly to the development of nationalism, while the 2003 event did not have the same efficacy. The following section seeks to define nation building, and through analysis of the pre-requisites for occurrence of nation building, assess the likelihood that the 2010 World Cup will promote positive nationalism in South Africa.

The objective of nation building is to “create an overarching supra-national identity that should replace and/or subsume sub-national identities and cultures” (Bornman, 2006: 385) with the intention of uniting a heterogeneous society. Efforts at nation building are thus equivalent to attempts at developing a common national identity. The terms

nationalism, national pride, and patriotism can be used as synonyms for the concept of national identity (Kersting, 2007: 279), and will be used interchangeably.

Political philosophers have argued that nation building is essential in a country because a “shared sense of nationhood (is) a pre-requisite for the democratic and successful functioning of the state” (Eaton, 2002: 46). Kersting (2007: 291) observed that there are several methods that the South African government has used to foster nationalism, including “national symbols like national flags, national anthems, sporting events, as well as public holidays to strengthen national unity and to develop the idea of community in a highly diverse society.” Ordinarily it is difficult to promote unity and encourage a universal national identity, but it is made even more so when the national focal point has to “appeal to all racial, ethnic, cultural and language groupings” (Bornman, 2006: 396), which is particularly appropriate to the South African context where the population is so varied. That the World Cup has been tasked with generating patriotism, is particularly challenging since football is regarded as a traditionally black African sport in South Africa (van der Merwe, 2006: 4), and thus some white sections of the population may not be able to identify with the event. Baade and Matheson (2004a), Black (2007), Cornelissen and Swart (2006), Eaton (2002), Grundlingh (1998) and van der Merwe (2006) have all argued that the 1995 Rugby World Cup served to foster nationalism in South Africa. However, the opinion in academic literature may not accurately reflect the true perception that black South Africans hold regarding the 1995 World Cup. Nonetheless, the consensus opinion is that hosting mega-events enhances social cohesion (Brunet, 2002; Barget and Gouguet, 2007; Maennig and Porsche, 2008) and in doing so stimulates growth of a collective national identity.

Waitt (2003: 212) doubted the general capacity of a mega-event to have a lasting impact on national unity, and commented that the 2000 Sydney Olympics “only revived a flag-waving form of nationalism rather than claims of a new spirit of ‘Australianness’ that breaks with a racist legacy;” which was a warning that mega-events may only provide short-term, superficial effects on nation building. The specific reasons why the 1995 World Cup is associated with nation building are complex. The extent to which the

purported nation building effects can be attributed to the actual *hosting* of the event is dubious. Other salient factors may explain the impact that the event had on South Africa. Given the social and political climate in South Africa in 1995, the circumstances were primed for an event or occurrence to act as a catalyst for the growth of nationalism and a country-wide feeling of unity. In addition, the Cup was characterised by symbols of the post-Apartheid South Africa, the concept of the 'Rainbow Nation,' the new flag and the new national anthem were intricate aspects of the event which assisted in promoting national unity (Dickow and Moller, 2002: 183).

Perhaps the nation building implications should rather be credited to the *success* of the national rugby team, who won the final in the most dramatic of circumstances, and not to the circumstance that the tournament was hosted in South Africa. However, there was no such exclamation of nationalism after South Africa's 2007 Rugby World Cup victory, importantly though the event was held in France. So, it is initially unclear as to whether it was the 1995 political climate or that the tournament was held in South Africa which was the primary cause of enhanced nationalism. That South Africa won the World Cup in 1995 and 2007 with differing effects on nationalism suggests that it is not solely the *winning* which is the most relevant. Notably, as alluded to in *Chapter 2*, there were no such social effects associated with the 2003 Cricket World Cup where, incidentally, the South African cricket team's performances were very poor and the team failed to progress beyond the first group stage. If South Africa had lost in the earlier stages of the Rugby World Cup, the event would most almost certainly not have been regarded as the nation building catalyst that it currently is, as the populace would not have shared the common celebrations and feelings of adulation. The line of reasoning suggests that the benefits of nation building through mega-events might show a stronger relationship with *success of the national team at home*, than with the actual hosting of the event in the country.

It may be concluded that there was not *one* prominent factor that can be accredited for the aftermath of the 1995 World Cup; it was rather a collection of factors. That the event was hosted in South Africa, that the South African team was successful and given the nature

of South African society at the time, the event acted to aid the process of nation building. Van der Merwe (2006: 71) claimed that in the instance that a home nation performs well at *their* event, then there will be positive implications on the collective national psyche; “(t)he Rugby World Cup was one of those classic textbook cases suggestive of the liberating nature of sports events.” Given that national pride is a pre-requisite of nationalism (Kersting, 2007: 281), a team’s victories or the successful hosting of an international event such as the World Cup can initiate an individual’s nation pride, and cultivate nationalistic sentiments.

The 1998 FIFA World Cup has been regarded as an event that had similar effects on the national unity as the 1995 Rugby World Cup has. The circumstances which led to the increased patriotism in France closely resembled those which occurred in South Africa in 1995. France hosted the event, the French national team won the tournament in a dramatic final, and at the time the French social environment was characterised by tense race and class relations between naturalised French immigrants and French-born citizens. The event was seen as a success for race relations, and the formation of a multicultural France (Kersting, 2007; Black, 2007). It instigated an upsurge of national self-confidence, self-belief, unity and pride in a multiracial team. Dauncey and Hare (2000: 19) asserted that the effects would not have occurred had the French team lost at an earlier stage in the tournament. The observation may be especially relevant to the 2010 context as, despite an encouraging performance in the Confederations Cup in 2009, there is much concern regarding the performance of the South African national football team, also known as the *Bafana Bafana*, in the World Cup. As of August 2009, South Africa was ranked by FIFA as the 72nd best team in the world (FIFA, 2009e), and are 80 to 1 outsiders to win the tournament (Sportsbet, 2009). Therefore the team’s prospects are not promising, which reduces the likelihood of prominent nation building repercussions from hosting 2010.

The following propositions can be drawn:

1. Success of a national team at an international event does not necessarily stimulate nationalism.

2. Hosting a mega-event does not necessarily stimulate nationalism.
3. Success of a national team at a home tournament does stimulate nationalism.

That the benefits of enhanced nationalism cannot be explicitly quantified poses a conundrum for those who seek to calculate the economic impact of mega-events. Irrespective of improved patriotism's intangibility, it is an effect of events that should be included in an analysis of 2010 as a public policy. The inclusion is especially problematic since there is a great deal of uncertainty as to whether it will actually transpire or not. And then, if it does happen, the degree to which it may occur is also an unknown. Feelings of nationalism might be intense as in 1995 and 1998, or may only extend to flag waving at tournament matches. It should not be expected as a given that hosting 2010 will aid the growth of national unity in South Africa. However, the impact on nationalism will be, to a degree, offset of the cultural standardisation as discussed in the previous section. In that light, van der Merwe (2006: 12) offered a final caveat for 2010, and posited that it is improbable that the event would emulate the successes of 1995 because nationalist "sentiments are likely to be diluted in the face of a more consumerist global football milieu and the powerful role of FIFA in deciding who gets what, where and when."

5.10. Image Implications

Chapter 1 explained the potential benefits that hosting mega-events can have for the international perception of the host, and *Chapter 2* offered case studies of previous mega-events and the image effects that accompanied them. It was observed that a positive image implication for the host was not a necessary consequence of hosting an event. Administrative problems, congestion, security breaches, inadequate infrastructure and poor facilities can contribute to a negative image effect, where the international reputation of the host is worsened due to the event (Chalkley and Essex, 1998; Gursoy and Kendall, 2006; Kim et al., 2006). The following section attempts to detail the factors

which could occur during 2010 that may cultivate both positive and negative image effects for South Africa.

With 53% of South Africans concerned about crime levels during 2010 (FIFA, 2009f), it has the capacity to derail efforts of using the World Cup as a medium for improving South Africa's image abroad. Crime is recognised as a serious, endemic problem in South Africa with murder, aggravated robbery and high jacking victims per 100 000 of the population predicted to be approximately 38.6, 247 and 30 respectively during 2010. To put the figures in context, the murder rate in England, between 2005 and 2007, was around 1.4 deaths per 100 000 (BBC, 2009a). Crime can negatively affect tourism, and damage investor confidence (Black, 2007: 271). Generally, foreign "visitors approach developing nations with trepidation due to worries about crime" (Baade and Matheson, 2004a: 1093), a situation compounded for 2010 due to South Africa's poor reputation regarding crime (Cornelissen et al., 2008: 63). If the event is characterised by incidents of crime there is the risk that the 2010 World Cup in South Africa becomes primarily associated with crime in the international community, which would be a considerable challenge for the country to overcome and reform the international perception. However, the downside risk cannot be allowed overshadow the potential positive effects, and dictate whether South Africa decides to host international events or not.

Despite the concerns, it is noteworthy that South Africa's previous hosting of international events has been largely crime free: "The ability of the South African security forces to safeguard major events has been internationally recognised with 141 international events having taken place in South Africa since 1994 without any serious incident" (South Africa.info, 2009c). The observation can be explained by the distribution of violent crime in South Africa, in that it is significantly more prevalent in non-tourist areas. The 2009 Confederations Cup was staged with only minor occurrences of crime, with the most publicised incidents being thefts from the rooms of the Egyptian and Brazilian teams. These were isolated cases (SAPA, 2006h) and did not detract from the overall successful staging of the Cup. There was no violent crime related to the event. The South African government is however aware of the risk that staging the event could

negatively impact on the nation's international image and has thus "invested R1.3bn in security, providing an additional 41,000 police and 45,000 stewards" (BBC, 2009a). Irrespective of comprehensive planning for the prevention of crime during the World Cup, there can never be absolute certainty that the event will be violent crime free. That there will be petty crime and theft is to be expected but it should not tarnish the nation's reputation, although a single instance of violent crime could detrimentally affect the nation's image and to a large degree is dependent on the international media's treatment of crime.

A second factor which may lead to a deterioration of the South African image would be the perception of inadequate infrastructure and poor event stadia. Baade and Matheson (2004a: 1091) warned that necessary expenditure on infrastructure should be higher in developing nations. In South Africa, there is the risk that infrastructure will not be sufficient. Hosting mega-events "are often used by governments ... to encourage infrastructural developments and improvements" (Cornelissen, 2004: 41). The World Cup is no different and a concerted effort has been made to use the event as a catalyst for infrastructural projects (Bob and Swart, 2007: 381).

With all stadia meeting FIFA requirements, the *quality* of stadia is not a justified concern. Failure to complete construction of stadia before the tournament begins could have negative effects on the nation's image; however, the stadia are set to be fully constructed well before the event, with the Moses Mabhida Stadium to be completed by October 2009 (BuaNews, 2008) and the Green Point Stadium on course to be finished by mid-December (Cape Times, 2009c).

A more founded concern relates to the inefficiency and inadequacy of infrastructural networks, specifically public transport. By 2008, it was estimated that the Department of Transport would spend R11.7bn on the improvement of the South African public transport system in line with the 2010 Transport Action Plan; with spending on the national highways, the railways, the Bus Rapid Transit (BRT) systems, inner-city, airport-city links and freight services. Further, an additional R19.5bn was set to be spent

by the Airports Company of South Africa on an airport infrastructure expansion programme (GCIS, 2008c). By late 2009, the estimated cost of improvements on transport infrastructure was R13.6bn (Financial Mail Campus, 2009: 6). With so many different projects underway it is difficult to determine whether or not the whole system will be completed before the event and be able to satisfy the increased demand for public transport during 2010.

The R25bn Gautrain that will link Johannesburg and Pretoria is unlikely to be fully operational in time for the World Cup (SAPA, 2009i); however the line was never expressly constructed with the objective of servicing World Cup tourists. The BRT system was launched in Johannesburg in September 2009 amidst threats of violence from taxi operators who were concerned that the BRT would reduce demand for their services (Mail and Guardian, 2009c). The success of the BRT remains to be seen as networks are yet to be operational in other cities and the risk of attacks by taxi operators may deter users. In terms of airports, the King Shaka International Airport outside Durban has been predicted to be operational before the end of 2009 (GCIS, 2009a). The three examples of infrastructural projects offer a cross-section of investments related to 2010 and their readiness for the event. It is expected of South Africa, as hosts of the World Cup, that the nation can provide visitors with adequate and efficient public transport; however it is uncertain whether the public transport system will be entirely sufficient for the event.

In summing the total costs of staging the World Cup, costs of improving transport infrastructure will not be included in full. The reasoning is that these projects were necessary for the development of the country, and important in improving efficiency. The expenditures would have occurred irrespective of the event. Treasury spokesperson Lindani Mbunyuza explained that total cost figures should “be seen in the proper context. In effect, 2010 has been a catalyst for government to tackle large-scale infrastructure projects. Various projects that had been considered for the future were brought forward” (Fin24, 2009a). It is difficult to discern which expenditures are explicit results of the World Cup and which are not. Only stadia, football training facilities and developments in the area’s directly surrounding stadia should be regarded as explicit 2010 costs. For,

example, the R900 000 re-development of Kempston Road in Port Elizabeth (Soccer World Cup 2010, 2009) would arguably not have been undertaken had the event not necessitated the building of the Nelson Mandela Stadium, which in turn, required that the road was improved. The cost of such event-specific projects should be included in the total costs of staging. Thus, given that the spending on infrastructure is estimated to be between R11.7bn and R13.6bn, and assuming that between 10% and 25% of total expenditure was on event-specific developments, then the cost of infrastructure for 2010 can be approximated to be within the R1.27bn to R3.16bn²⁵ range.

So far the analysis of the image implications of 2010 has focussed on the potential negative effects that the event can have on South Africa. However, successful hosting can aid in eroding negative international impressions that might exist. A crime free and efficient hosting can dispel ideas that the country is riddled with crime and infrastructurally inept. The reception that World Cup tourists receive from locals is a crucial factor in determining how the event impacts upon the nation's image. Kim et al. (2006: 89) maintained that the support of the host population is essential for the success of mega-events, where not only the success of the event heavily depends upon the goodwill of the locals, "but also the longevity of these positive impacts is likely to be determined by the *level* of local residents' support for the event." Gursoy and Kendall (2006: 617) agreed that successful hosting "requires increased support and hospitality from locals." Hence, the disposition of locals towards visitors is one of the most important factors that determine the impact of the host's image (Ap and Zhou, 2009: 1). South Africa's image was regarded to be at its lowest ebb, since the end of Apartheid, during the May 2008 xenophobic violence (International Marketing Council, 2009); the event can aid in repairing the tarnished reputation.

One of the keys to the improved German image after 2006 was their welcoming nature towards visitors (Kersting, 2007; Florek and Breitbrath, 2007; Maennig and Porsche,

²⁵ Using an average spending figure of R12.65bn, $(R11.7bn + R13.6bn)/2$, and applying the proportions of event-specific spending, the range is calculated.

2008). After the 2009 Confederations Cup in South Africa, the USA national team's coach Bob Bradley commented that:

"We have had an amazing time in South Africa. The way people have treated us like friends, their passion for the game, the security personnel who actually smile, the organisation - in all those ways it's been a great experience and every man in our squad would say they can't wait to complete the task of qualifying and get back here next year" (Goal, 2009).

It is worth noting though, that the USA team exceeded expectations at the tournament, having performed well, but the side eventually lost in the final to Brazil. With that in mind, it is appropriate to reflect on an observation by Oldenboom (2008) who suggested that the post-event image of the host in different countries may depend on the performance of the country's national football team, where the image of the host improves in successful countries and deteriorates in unsuccessful countries. Therefore, the image of South Africa post-2010 is likely to differ around the world. Kim and Morrison (2005: 245) agreed that international tourists are not homogenous and will likely leave South Africa with differing perceptions.

The crime, infrastructure and resident behaviour implications on South Africa's image can only be assessed after the event has been staged, hence reducing the applicability of purely *economic* impact studies. As with nation building, while the direction of the effect is unidentified, the extent to which the image effects will occur is also an unknown. Taking all factors into account, the net effect of 2010 on the South African image is thought to be most relevant to growth of tourism and FDI. The two factors have the potential to increase long-term growth rates of the domestic economy. While the World Cup is a catalyst for a new image, Ritchie and Smith (1991: 3) warned that mega-event hosts "must anticipate a significant rate of awareness and image decay, and take steps to counter it, if they wish to remain visible and competitive in the international marketplace."

5.11. Tourism

Increased short and long-term tourist numbers are regarded as a primary tangible benefit of hosting a mega-event. It has thus far been established that while there would be

increased tourists to South Africa during 2010, that number would be offset by a crowding out effect whereby regular tourists are displaced by event tourists (Baade and Matheson, 2004a; Crompton, 2006; Humphreys and Prokopowicz, 2007; Preuss, 2002). In addition, it was suggested that event tourists may not consume traditional sightseeing opportunities in the same way that ordinary tourists might (ETOA, 2005; Kurtzman, 2005).

South Africa is the 2nd most popular tourist destination in Africa, behind Egypt, and 25th in the world, measured by tourist arrivals (World Tourism Organisation, 2008: 10). Hence, South Africa is, without the effects of the World Cup, a popular destination. For the 2010 context it is important to distinguish between short and long-term benefits of tourism. In the short-term, it has been predicted that between 350 000 (BBC, 2007) and 500 000 (SAPA, 2009j) foreigners could travel to South Africa for the 2010 World Cup. The figure of 400 000 visitors will be assumed in this section. With the impact of the crowding out effect, the *net* number of tourists to visit for the event is unsure. Japan and South Korea for the 2002 FIFA World Cup saw almost complete crowding out (Horne and Manzenreiter, 2004; Baade and Matheson, 2004a). Naturally, if a similar situation occurs for 2010, there would be no net impact on short-term tourism. Allmers and Maennig (2008: 19) have posited that the expected negative crowding out effect of regular tourism might not have its usual magnitude during 2010 because the World Cup is set to take place during the low season (winter) for tourism in South Africa. When the World Cup is hosted in northern hemisphere countries, it takes place during the summer, which is the peak tourist season. However, having plotted the average 2007 and 2008 monthly “total number of foreign travellers who visited South Africa from Africa, overseas and unspecified countries, arriving through all ports of entry” (Statistics South Africa, 2008), Allmers and Maennig’s (2008: 19) argument loses validity. As is evident in *Figure 6*, tourist numbers are predictably peaked during the summer months, December and January. June has the lowest monthly visitors, however in July numbers rise by approximately 21%, offsetting the lull in the previous month. South Africa’s moderate climate may explain why there is no winter-long decline in tourist visitors, as winter can be warmer than summer in some European countries.

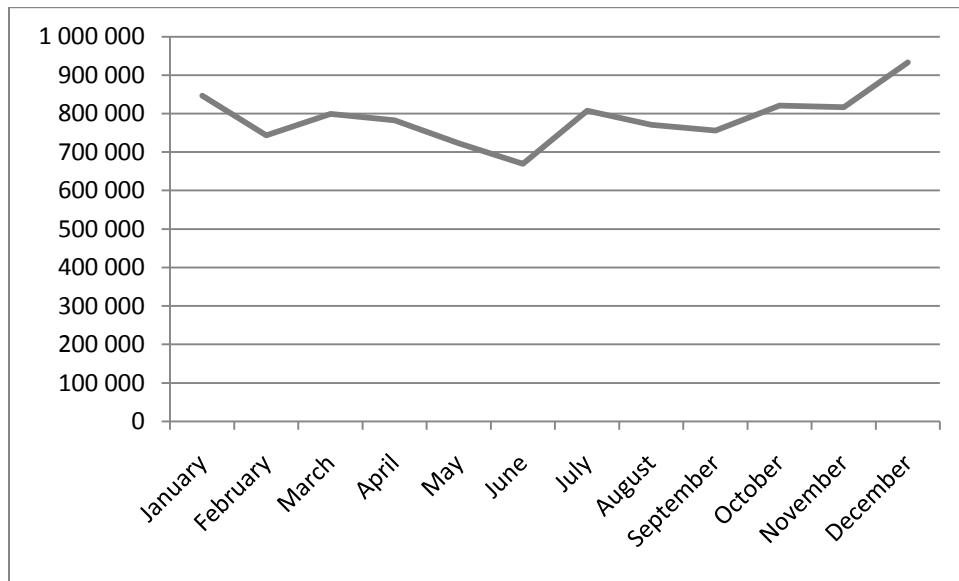


Figure 6. Mean monthly tourist arrivals to South Africa (averaged over 2007 and 2008 monthly arrivals).

Source: Statistics South Africa (2008).

Increased prices will stimulate a crowding out effect of ordinary local and foreign tourists during World Cup. Higher accommodation prices are a certainty, for example: ‘Match Event Services’ will be charging R5 382 a night for a four person tent at the Skukuza Camp in the Kruger Park, which ordinarily costs R550 (Sunday Times, 2009b). Crowding out of local tourists would not reduce domestic economic activity unless those individuals decide to travel abroad instead of either postponing their domestic trip or they decide to spend their travelling funds elsewhere in the domestic economy. Since there is a consensus academic opinion that predicts a crowding out from hosting mega-events (Baade and Matheson, 2004a; Crompton, 2006; Humphreys and Prokopowicz, 2007; Preuss, 2002), and that there is empirical evidence to support the effect, it should be expected that it will accompany 2010. The degree to which it occurs is a matter of guesswork; through application of a sensitivity analysis using differing percentages of crowding out of regular tourists; however the net impact on tourist expenditure can be analysed.

In order to apply crowding out percentages to the regular tourists, the number of tourists to visit South Africa during June and July of 2010 need to be predicted under the non-World Cup circumstances. Approximately 1 536 000 tourists visited South Africa during June and July of 2008. The tournament is staged over a month, but is assumed that the effects of crowding out will also occur for 2 weeks before and 2 weeks after the event. The year-on-year compounded growth rate of tourist arrivals to South Africa between 2002 and 2008 was 6.9% (South African Tourism, 2009: 10). However, the figure cannot be treated simply with the compounded growth rate to calculate the 2010 figures as global growth in tourist numbers slowed to 1.3% during 2008, and South African arrivals decreased to 5.5% from 8.3% in 2007. It should be expected that with the global recession of 2009, the growth rates will decline even further. It is assumed that the 2009 growth rate slows to 2.6%, double the global average, and obtains the 2008 level in 2010 due to the recovery of the global economy, on which basis the following table can be derived:

Table 7a. Estimated average monthly tourist arrivals in South Africa over June and July.

Year	Average monthly tourists during June and July	% Growth on previous year
2008 actual	1 536 000	5.5
2009 est.	1 575 000	2.6
2010 est.	1 660 000	5.5

Source: Statistics South Africa (2008).

Given that an estimated 1.66 million tourists would *ordinarily* be expected to visit South Africa during the 2 month period around the World Cup and using the estimate of 400 000 visitors, 24%, or only 1 in 4, of ordinary visitors would need to be put off travelling to South Africa during the Cup in order for complete crowding out to occur.²⁶ There are however, significant differences between the characteristics of the ‘ordinary’ and the World Cup visitor to South Africa, such as the average length of a visit and the amount of spending during their stay in the country. *Table 7b* calculates the average spending by an ‘ordinary’ tourist to South Africa.

²⁶ 400 000/1 660 000 = 24.09 %

Table 7b. Ordinary tourist expenditure in South Africa.

Total foreign direct tourist expenditure in South Africa in 2008 (excluding capital expenditure) in billions of rands	74.2
Millions of Tourists to South Africa in 2008	9.6
Expenditure per ordinary tourist in rands	7 729

Source: South African Tourism (2009).

Under the minimal ‘Set One’ assumptions, used in the calculation of total demand for the rand,²⁷ it was estimated that expenditure per visitor would be R32 750 spent over a 15 night period.

*Table 7c. Predicted tourist spending during the month of the 2010 tournament (in rands).*²⁸

	A	B	C	D = A x C
Type of Tourist	Predicted tourists	Average spending per day (R)	Average spending per trip (R)	Total monthly tourist spending (Rbn)
World Cup	400 000	2 185	32 750	13.1
All Non-World Cup	1 660 000	970	7 750	12.9
Tourist Spending with no crowding out				26
Non-World Cup African entering by land	1 260 000 ²⁹	775	6 200	7.8
Other Non-World Cup ³⁰	398 000 ³¹	1 540 ³²	12 300	4.9

Source: South African Tourism (2009).

Note: ‘Total monthly tourist spending’ in *Table 7c* was calculated by multiplying ‘Average spending per trip’ by ‘Predicted tourists’ [Column D = Column A x Column C].

²⁷ See page 52 for 2010 GDP calculation.

²⁸ Calculations are subject to rounding.

²⁹ The composition of non-World Cup tourists was determined by multiplying the number of all non-World Cup tourists by the 2008 proportion of African tourists entering by land against all other tourists. $7.1\text{m}/9.6\text{m} = 0.76$, hence, $1\,660\,000 \times 0.76 = 1\,261\,600$ (South African Tourism, 2009: 17).

³⁰ Refers to all other tourists to South Africa that who are not visiting because of the World Cup and who are not entering by land.

³¹ $1\,660\,000 - 1\,261\,600 = 398\,400$

³² $12\,300/8 = 1537.5$

It is striking that even with less than half the number of visitors, spending by World Cup tourists is estimated to be more than double that of their non-World Cup counterparts. A more careful analysis, however, shows that the figures are plausible. The average spending by the ordinary tourist is approximately R7 750, allocated over an average stay of 8 nights in the country (South African Tourism, 2009: 33). The total average spend is brought down by the average of African tourists that enter South Africa by land; such individuals constitute 74% of all visitors and spend on average R6 200 per trip (South African Tourism, 2009); which equates to R775 per day over the average visit of 8 nights. Excluding visitors from neighbouring countries, the per visitor expenditure increases to R1 540 per night. The World Cup tourist is expected to visit South Africa for 15 days, approximately double the ordinary length, and have an average spend per night estimated at R2 185. When the characteristics of the tourists to South Africa is analysed, it is evident that the crowding out effect might not have as significant an impact during 2010 as it has been at other mega-events. It is due to the vastly different spending patterns between African tourists entering by land, who make up the majority of total tourists, and the World Cup tourist. Given the predicted average spending, one World Cup tourist can effectively crowd out 5 African tourists entering by land, but would still result in an estimated net tourist spending increase of R1 750. One World Cup tourist is equivalent to 5.28 African tourists entering by land, and 2.66 'other' non-World Cup tourists.

Using the information derived from *Table 7c*, the net effect on tourist spending of crowding out can be calculated:

Table 7d. Net effect on tourist spending for assumed levels of crowding out (in billions of rands).

E	F = (I – E)R12.87bn	G
Crowding out of tourists as a %	Total non-World Cup tourist spending at set crowding out level (Rbn)	World Cup tourist spending (Rbn)
0	12.87	13.1
25	9.65	13.1
50	6.43	13.1
75	3.22	13.1
100	0	13.1

H = F + G	I = R25.97bn - H	J = I/G	K = G - I
Total tourist spending (Rbn)	Decrease in tourist spending due to the crowding out effect (Rbn)	Crowding out effect as % of World Cup spending	Net benefit of World Cup (Rbn)
25.97	0	0	13.1
22.75	3.22	25	9.88
19.53	6.43	49	6.67
16.32	9.65	74	3.45
13.1	12.87	98	0.24

Source: South African Tourism (2009).

Note: 1) ‘Total non-World Cup tourist spending at set crowding out level’ was one minus the crowding out percentage multiplied by the ‘Total tourist spending’ of non-World Cup visitors figure of R12.87bn.

2) The ‘Effect of crowding out’ was calculated as ‘Total tourist spending per month’ subtracted from the assumed tourist spending figure, with no crowding out, R25.97bn.

3) The ‘Net benefit of the World Cup’ was attained by subtracting the ‘Decrease in tourist spending due to the crowding out effect,’ derived under the assumed crowding out percentages, from ‘World Cup tourist spending.’

As indicated in Table 7c, assuming no crowding out; total foreign spending during the World Cup period is estimated at R25.97bn per month. As the assumed crowding out levels rise, World Cup spending manages to comfortably offset the losses from those tourists that are put off travelling during the event. At 50% crowding out, there is still a significant positive net impact of the event on spending, contributing an estimated R6.67bn. Even at the 100% level during the tournament, there is still a predicted net increase of approximately R235m; it is however only around 1.8% of the total predicted spending of World Cup tourists.

A more accurate analysis would account for different crowding out effects on various segments of the ordinary visitor population. Hence, the economic impact of the crowding out depends on the origins of those who are crowded out. Tourists who travel from overseas, and not neighbouring nations, are more likely to be displaced over the World Cup period as more planning and expenditures are involved; for many such tourists it may be a ‘once in a lifetime’ trip which they will likely not risk being spoilt by the World Cup. Neighbouring African tourists may make the trip many times and hence see the World Cup as an extra reason to travel, since the vacation is easier to organise, hence minimal crowding out can be expected. The same process as used above was applied in *Table 7e*, however, African tourists entering by land and other non-World Cup (Ordinary) tourists were treated with different expected levels of crowding out.

Table 7e. Total effect on tourist spending, under the assumption that 10% of African tourists entering by land are crowded out (in billions of rands).

L	M = D x L	N = D(1 – 0.1)	O
Crowding out of non-World Cup other tourists (%)	Total other tourist spending at crowding out level (Rbn)	Total spending by African visitors, entering by land (Rbn)	World Cup tourist Spending (Rbn)
0	4.9	7.03	13.1
25	3.67	7.03	13.1
50	2.45	7.03	13.1
75	1.22	7.03	13.1
100	0	7.03	13.1

P = M + N + O	Q	R	S
Total spending per month (Rbn)	Decrease in tourist spending due to the crowding out effect (Rbn)	Crowding out effect as % of World Cup Spending	Net Benefit of World Cup (Rbn)
25.02	0.94	7	12.16
23.8	2.16	17	10.94
22.58	3.39	26	9.71
21.35	4.61	35	8.49
20.13	5.84	45	7.03

Note: There are a few differences to the calculations in *Table 7e* compared to those in *Table 7d*:

- 1) Non-World Cup tourists were separated into ‘Total other tourist spending’ and ‘Total spending by African visitors, entering by land,’ where the former was the function of the variable crowding out level and the later was the result of the fixed 10%.
- 2) ‘Total spending per month’ is the sum of all three spending categories.

Despite that the ‘other’ tourists only contribute towards 26% of total visitors, the segment makes 38% of all tourist expenditures in South Africa.³³ Therefore, when they are crowded out, the net impact on total spending is more prominent than when African tourists are. Nonetheless, that there are far more African tourists means that even when there is 100% crowding out of ‘other’ tourists, it equates to only 45% of total World Cup spending being offset. The African tourists offset the losses from ‘other’ tourists. The results are mimicked when the higher levels are applied to African tourists.

Table 7f. Summarised effects of different assumed levels of crowding out of African tourists entering by land.³⁴

Crowding out of non-World Cup ‘other’ tourists (%)	Total crowding out effect as % of World Cup spending at assumed level of African crowding out		
	10%	20%	30%
0	7	13	19
25	17	22	28
50	26	32	38
75	35	41	47
100	45	51	56

There is a linear 6% increase in total crowded out spending, as a result in a 10% increase in crowded out Africans.³⁵ Similarly, there is a fixed 9.34% increase in total crowded out spending from a 25% increase in the level applied to ‘other’ tourists. The worst case scenario of 100% crowding out of non-World Cup ‘other’ tourists and 30% of African tourists entering by land, leads to only 56% of the World Cup spending being negated;

³³ $4.985\text{bn} / 12.865\text{bn} \times 100 = 38\%$

³⁴ See *Appendix E* for full calculations.

³⁵ The existence of 5% and 6% increases in total crowding out in *Table 7f* are due to rounding.

and the event is still estimated to positively contribute R5.47bn³⁶ once it makes up the losses from crowded out regulars. A realistic scenario to expect is 75% crowding out of non-World Cup ‘other’ tourists and 20% of African tourists entering by land, which equates to 41%, or R5.39bn, of the World Cup spending being crowded out, leaving a net gain of R7.71bn.³⁷ After applying different crowding levels to different visitors, it is evident that the impact of displaced tourists should not completely overwhelm the short-term economic benefits of the event. That the predicted average spending from the World Cup is greater than the ordinary average means that spending lost from one displaced ordinary tourist does not cancel out the expenditure of one World Cup tourist; there is a remainder which still contributes to total event spending.

In the long-term there is no reason to think that regular tourists who are put off visiting the region during the event will decide to never visit. That an individual does not want to visit a region during a specific period does not mean that the opportunity for the region to benefit from that individual’s interest has been forgone. Regular tourists should rationally re-schedule a trip to a time when the region is not focussed on an event that it is hosting. It is equivalent to a re-distribution of tourist revenues over time. Hence, the crowding out effects should have little long-term effect. Therefore, only visitors that travel in South Africa for the World Cup, who would not have ordinarily done so, should be regarded as contributing to enhanced economic activity (Crompton, 2006). However, to determine how many tourists to which the condition would apply, a survey would need to be conducted during the tournament asking tourists which statement described their decision to visit South Africa:

- Statement 1: Whether they visited South Africa only because of the World Cup and would probably never have travelled there had it not been hosted.
- Statement 2: Whether they travelled to South Africa during the World Cup because they had always wanted to or were planning to visit at some stage, and as such decided to do so during the World Cup as an added incentive.

³⁶ See Appendix E2.

³⁷ See Appendix E1.

Those who identify with statement 1 can be regarded as having contributed to causing increased long-term tourist revenue to increase above levels that would have occurred had the World Cup not been hosted in South Africa. However, individuals that are described by statement 2 represent the re-distribution of revenues over time, and as such do not cause cumulatively greater revenues even though 2010 tourist spending may be higher. Hence, the reliability of studies that calculate *predicted* economic impacts is undermined.

Grant Thornton (2003: 3) cited an “increased demand for tourism facilities” over the World Cup period. However, some studies have argued that visitors to an event are “not interested in tourism, they are interested in sport” (ETOA, 2005: 9), and hence significant increased consumption of usual tourism-related goods and services should not be expected. However, for the 2010 context, the issue is not as likely to be relevant. Given South Africa’s geographic location it should be expected that once a visitor is in the country for the World Cup they would visit for a while. In Germany, for example, it was possible for individuals to fly into a host city, watch a fixture then leave without frequenting any tourist sites. While it is also possible in South Africa, it is less likely to occur to any great extent. Between World Cup fixtures, visitors have to fill their time and sightseeing opportunities would be expected to be patronised. Further, due to South Africa’s distance from Europe, Asia and the Americas visitors may not anticipate re-visiting in the future and thus would use the chance to undertake tourist activities while they are in the country, and not put them off until a future visit.

Using the previous assumptions regarding growth of tourists to South Africa, approximately 10.4 million visitors are expected to travel to the country in 2010.³⁸ The Minister of Environmental Affairs and Tourism, Marthinus van Schalkwyk has maintained that South Africa should reach its target of 10 million visitors in 2010 (GCIS, 2009b). The assumed growth rates appear to be in line with government predictions. Nonetheless, using the more conservative estimate of 10 million total visitors in 2010, and the upper end of predicted visitors for the World Cup of 450 000, World Cup-specific

³⁸ $(9.591)(1.026)(1.055) = 10.38$

visitors compromise only approximately 4.5% of total visitors. It thus seems ill advised to expect significant increases in tourist revenues from the World Cup when it adds such a small proportion of the total, especially since that does not account for displaced tourists and those travellers characterised by ‘Statement 2’ above (as they should cause decreased numbers in the future). Therefore, it is argued that in 2010, World Cup tourists can be expected to make up considerably less than 4.5% of total tourists to South Africa. Using the higher estimate of 10.4 million tourists, and the lower end 350 000 World Cup visitors, the figure drops to 3.4% before adjustments.

When neglecting visitors from Africa in the calculation, the effects of the World Cup improve, but remain unimpressive. All African tourists account for 77% of the total,³⁹ and then assuming a stable relationship between the number of African and European tourists between 2008 and 2010, of the predicted 10 million in 2010, around 2.3 million arrivals from regions other than Africa can be expected. It has been estimated that total visitors to the World Cup from the continents other than Africa will be approximately 220 000 (Herald, 2009a). Hence, World Cup tourists only account for less than 10% of total visitors from these regions during 2010, without making any adjustments. Furthermore, there is the risk that organiser’s predictions of visitors have been overestimated, which would not be surprising given the inaccuracies prevalent in economic impact studies. For example, the Korean World Cup Organizing Committee predicted 640 000 international visitors for the World Cup. “However, only 403,466 foreign tourists (*including* non-World Cup tourists) arrived for the period of the 2002 World Cup” (Lee and Taylor, 2002: 601). Therefore, it is quite possible that the short-term impact on tourism could be even less significant than suggested.

It is thus important to be careful of overinvesting in facilities that are only required for a 30 day tournament and then become redundant post-event. Former South African Football team goalkeeper and television pundit Andre Arendse (2009) took up a contrary stance, and confidently announced that: “We *cannot* over-invest for four weeks.” It is a proclamation that must be approached with caution. For example, in Cape Town, 8 new

³⁹ $(306\,961 + 7\,087\,452)/9\,591\,828 = 77\%$ (South African Tourism, 2009: 17).

hotels have been built in the city centre for the World Cup, creating 16 000 new rooms within 45 minutes of the Green Point Stadium (Cape Times, 2009c). In Klerksdorp, in the North West, 2 new hotels and several guest houses have been built as the town has been identified as a 'base camp city' (Times, 2009d). A team will be based there then travel to its fixtures. The post-event uses of the developments are dubious. Preuss (2002: 9) has warned that events can lead to an oversupply of hotel rooms in the future. Hence, investments in tourism facilities, similarly to investment in stadia, require careful planning to ensure that they are sustainable beyond the event.

While there may be a noticeable increase in GDP from World Cup related tourism, the long-term benefits of marketing South Africa as an international tourist destination are expected to be the most lucrative benefits of hosting the event. Unfortunately, determining the long-term effects is problematic, as there is no rule to be inferred from previous events as to the post-event trajectory of tourism growth, and it is so dependent on the nature of the host's image after the event. Identifying the effect of an event on tourism is very subjective; it is rather difficult to discern between which factors have affected growth in the industry or caused it to decline, as was observed in *Chapters 1* and *2*. Post-2010 would be similarly complicated since the tourist numbers to South Africa have followed a strong upward trend since 2002, as seen in *Figure 7*.

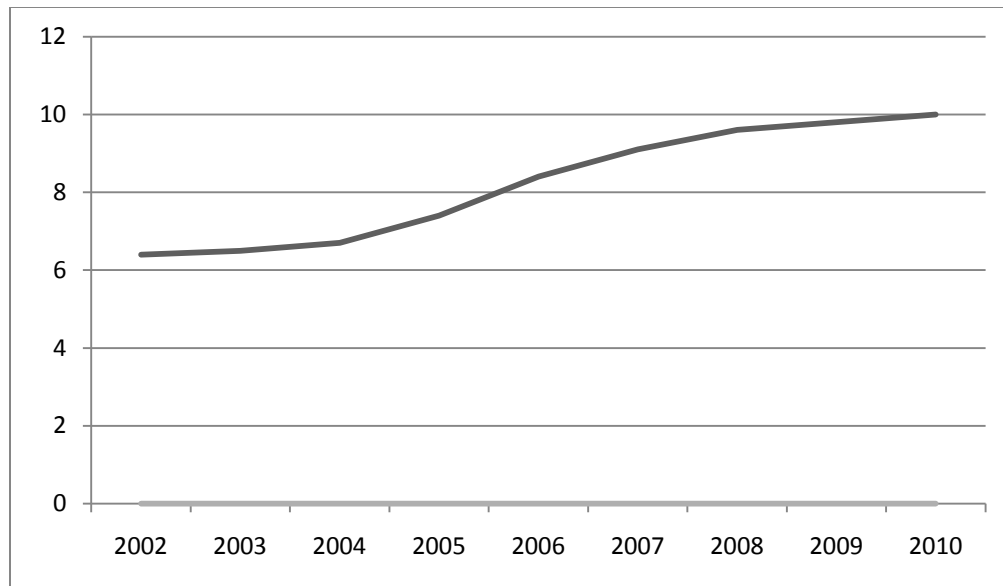


Figure 7. Millions of tourist arrivals to South Africa between 2002 and 2010 (2009 and 2010 are estimated values).

Source: South African Tourism (2009:13).

Chapter 1 explained the potential benefits of increased international exposure; in short, the event's "media coverage increases brand awareness and recognition of the host as a tourism destination" (Ritchie and Smith, 3: 1991). Events are used by destination marketers as a means to change or enhance their destination's brand (Chalip and Xing, 2006: 72). Through improving the global image of South Africa during 2010, the nation can come to be regarded as an internationally popular and viable tourist destination. Such a change of perception would make amends for any disappointments regarding tourism during the actual event. Therefore, the economic impact of tourism from the event itself may actually be irrelevant, in that the long-term implications, while not feasible to quantify accurately, are the most imperative outcome of hosting 2010. Ritchie and Smith (1991) conducted a rare study which attempted to quantify the intangible impacts of hosting mega-events; however, the focus was on increased 'awareness' of host cities. However, the international community may be more aware of the host after the event, but that does not mean that the reputation has been enhanced, it is the nature of the awareness that is important.

5.12. Foreign Direct Investment

The effect of 2010 on Foreign Direct Investment is similar to that on tourism in that it concerns long-term prospective benefits. Potential FDI due to the World Cup could provide “another important boost to the economy” (Bohlmann and van Heerden, 2005: 12). That the World Cup may contribute towards 0.69% of GDP in 2010, or have a net economic impact of R21.3bn would be useful short-term gains. However, within the broader long-term growth pattern of the South African economy, the impact of the World Cup would be largely irrelevant. If it is to have a lasting effect, it is dependent on the event’s capacity to stimulate long-term, sustained growth in FDI, as well as tourism. Organisers of mega-events emphasise their ability to attract foreign direct investment (Cornelissen and Swart, 2006; Kesenne, 2005). Empirically, it has been found that the relationship between economic growth and FDI is positive for South Africa (Fedderke and Romm, 2004: 26); therefore the World Cup may cause foreign investment-led national economic growth.

FDI is defined by the International Monetary Fund (2009) as the “acquisition of at least ten percent of the ordinary shares or voting power in a public or private enterprise by non-resident investors.” The benefits lie in the transfer of sophisticated technologies and management practices from the investor to the developing economy, which in turn improves productivity and efficiency, theoretically causing increased employment and economic growth (Lim, 2001: 3). Hence, it can aid in bridging the divide in knowledge and human capital between developing and more advanced nations (Fedderke and Romm, 2004: 5). There are multiple determinants of FDI, which include, but are not restricted to: real GDP per capita, infrastructural quality, labour cost, openness of markets, taxes and tariffs, and political instability (Asiedu, 2002: 110). Other factors include the size of the domestic market, existence of natural resources, well defined property rights and the nation’s broader economic policies and stability (Cho, 2004).

For the World Cup to promote growth in FDI, it would need to have an effect on the determinants. However, the only determinant which the World Cup can be associated

with improving is that of infrastructural quality, but the expenditure on infrastructure was made *for* the event and not as a *consequence* of the event. Nonetheless, a reliable and comprehensive infrastructural network “increases the productivity of investment and therefore stimulates FDI flows” (Asiedu, 2002: 111). De Mendonca and Nonnemberg (2004: 16) have found, through a causality test, that there is “evidence of the existence of causality in GDP leading to FDI,” and not vice versa. So, if GDP per capita is enhanced by 2010, FDI flows should theoretically increase. Using an approximate GDP estimate for 2010 of R2 364.01bn⁴⁰, and given that the estimated population as of June 2009 was 49.32 million (Statistics South Africa, 2009b: 3), and is assumed to grow at the current population growth rate of 1.07% (Statistics South Africa, 2009b: 8), GDP per capita may be estimated for 2010 as follows:

Table 8a. Estimated GDP per capita in 2010 (in rands.)

	2010 Estimate (R)
GDP (Rbn)	2 364
Population	49 847 724
GDP per capita	47 425 ⁴¹

Using various estimates of economic impact of 2010, the potential impact on GDP per capita can be modelled as ranging between about R3 and R1 117, visible in *Table 8b*.

Given the comprehensively documented shortcomings of the Grant Thornton (2003) study, it is more realistic to suggest the addition to GDP per capita should fall within the R3 to R327 bracket. Such a marginal addition should not warrant greater interest in South Africa as a FDI opportunity from the international community. Hence, improved infrastructure is likely to be the only legacy of the World Cup that could foster increased FDI, and unless this is the primary driver of increased FDI in South Africa, the events reputation as a catalyst for FDI growth is thoroughly undermined.

⁴⁰ See page 52 for 2010 GDP calculation.

⁴¹ The estimate is quite accurate, as the World Bank (2009a) estimated 2008 South African GDP at \$276.764 billion, and the population to be 48.687 million (2009b); hence a GDP per capita estimate of \$5685. Assuming a Rand-US dollar exchange rate of 8 Rand per 1 Dollar, there is a per capita GDP of R45 480.

Table 8b. The effect of estimated economic impacts of the World Cup on GDP per capita.

Study	Conservative	Liberal	Conservative	Liberal
	Predicted Economic Impact (Rbn)		GDP with World Cup (Rbn)	
Mabugu and Mohamed (2008)	n/a	0.16	n/a	2 364.17
Bohlmann & van Heerden (2008)	1.89 ⁴²	16.30 ⁴³	2 365.90	2 380.31
Grant Thornton (2003, 2009)	21.30	55.70	2 385.31	2 419.71
	GDP per capita with World Cup (R)		World Cup related change in GDP per capita (R)	
Mabugu and Mohamed (2008)	n/a	47 427.90	n/a	3.27
Bohlmann & van Heerden (2003)	47 462.55	47 751.63	37.92	327.00
Grant Thornton (2003, 2008)	47 851.93	48 542.04	427.30	1 117.40

Ritchie and Smith's (1991) hypothesis that mega-events create awareness of the hosts may be relevant with regards to FDI. With South Africa set to receive significant international exposure, it may position the country so as to bring it to the attention of those looking to invest in emerging markets. However, South Africa is not neglected in terms of the FDI that it receives. In 2007 the country was ranked as the 18th most attractive destination by global management consulting firm AT Kearney (South Africa.info, 2008c). Further, South Africa received the 29th most FDI worldwide during 2008 with R900bn⁴⁴ (Central Intelligence Agency, 2009). It is apparent that South Africa is not actually on the periphery of the FDI market; it is regarded as a viable investment destination and foreigners are aware of the opportunities available. Furthermore, it could also be argued that the four week period for the tournament is too brief to cause a change in perceptions and is thus not sufficient to have lasting macroeconomic effects (Dohmen et al., 2006: 9). However, it does give a chance for South Africa to disprove the negative opinions, and so-called "Afro-pessimism" that some foreign individuals may have towards the country, showing that it is as capable as a developed nation (International

⁴² $0.08\% \times 2364.01 = 1.89$

⁴³ $0.69\% \times 2364.01 = 16.3$

⁴⁴ The source quoted the FDI flow in US Dollars; thus the figure was converted to Rands through application of a R7.50 per \$ exchange rate. $\$120\text{bn} \times 7.5 = \text{R}900\text{bn}$.

Marketing Council, 2009). But given the World Cup's inability to have an impact on the determinants of FDI, it means that the probability of increased flows due to the event appears to be minimal.

5.13. Opportunity Costs – 2010 as a Public Policy

To host a mega-event is a public policy decision, and the necessary expenditures are largely financed by government. In the same way that an expansion of the public healthcare system is a government policy, so is the staging of a mega-event; as such it should be regarded as a worthy use of public revenues. In essence, the event was given priority over an alternative policy. Hence, the merits of hosting events versus other forms of government spending should be addressed, since policy makers have opted to host the event at the expense of other policies. The opportunity costs of hosting 2010 are the forgone policies that might have taken place had South Africa not been successful with their 2010 bid.

The popular view proposed by event organisers posits that “investment in infrastructure, a boost in current consumption and an increase in consumer confidence lead to extra growth opportunities” (Sterken, 2006: 388). The primary argument against hosting a mega-event as policy is that the purely economic gains are not significant enough to justify the expenditures. However, the “literature published in peer-reviewed academic journals differs strikingly from the predictions in ‘economic impact studies.’ No retrospective econometric study found any evidence of positive economic impact from professional sports facilities or franchises on urban economies” (Coates and Humphries, 2003: 6). The opinion is widely held amongst scholars; Syzmanski (2002: 8) has maintained that “there is a substantial literature in economics explaining why the economic impact of major events is likely to be quite small;” while Horne (2004: 1241) agreed that the “almost unanimous conclusion” is that public investment in sports facilities only yields minimal economic benefits. Finally, Andranovich et al. (2002: 186) posited that “(m)ost economic analyses conclude that professional sports teams and sports facilities add little to a city’s economic base.” Kesenne (2005: 13) simply claimed

that a “sports event has an overall negative economic effect on the host because the costs are larger than the benefits.” The position is founded in the argument that government expenditure on sporting infrastructure causes reductions in government services and increases government borrowing or taxation in order to generate the capital required, all of which produce a drag on the local economy (Siegfried and Zimbalist, 2000: 100 - 101). Following the same line of argument, Bohlmann and van Heerden (2008: 394) claimed that the 2010 World Cup would have a negligible short-term economic impact. It has become evident that the long-term implications of hosting are more significant, than the short-term economic gains.

If government is determined to pursue an economic growth policy that is centred on tourism, Crompton (2006: 76) has posited that since investments in sporting infrastructure attract primarily local residents throughout the year and only occasionally foreigners, the construction of a convention centre would be preferable as it should attract non-residents throughout the year. The nature of employment in the tourism industry, which hosting mega-events tend to foster, needs to be considered. Horne and Whitson (2006: 80) argued that employment in the tourism industry is generally characterised by low earnings and poor productivity. Hence, investment in tourism is not the most effective strategy for improving the *quality* of local employment. Further, “as sports entertainment is a luxury good, the demand for specialized sports infrastructure in the wake of the World Cup or the Olympics will likely be lower in developing nations than in developed countries” (Baade and Matheson, 2004a: 1092).

The argument against hosting is supported empirically; Sterken (2006: 388) used a “post-war growth model” to show that generally, a positive impact might hold for the Olympic Games, but not for the FIFA World Cup. Chang Se-Moon (2002) in a comparison of pre-World Cup and the post-World Cup GDP growth rates of the World Cup host countries between 1954 and 1998 found that of the 12 events, post-World Cup year growth rate was higher than the pre-World Cup year growth rate eight times and lower four times. “The average growth rate for post-World Cup years was 3.083 per cent, while the average growth rate for pre-World Cup years was 2.233 per cent” (Horne and Manzenreiter,

2004: 192).⁴⁵ While the study showed that there could be economic merit in hosting the event, it implies that higher GDP growth rates will not necessarily follow the event. Furthermore, identifying a causal link between the GDP growth rates and the World Cup is problematic. The growth rates should be looked at within the context of the global and national economic cycles that prevailed during the 3 year period.

Given the common position of academics, the reasoning behind a government's decision to host a mega-event is curious. Siegfried and Zimbalist (2000: 110) explained that substantial benefits can accrue to a few individuals, which motivates them to become politically active in supporting the use of tax revenue on sporting events and infrastructure. Kesenne (2005: 13) agreed that "while some industries and institutions profit, the average tax payer turns out to be the dupe." Horne and Whitson (2006: 84) identified the following sectors and individuals as having the most to gain from hosting an Olympic Games: construction companies and suppliers, engineers, architects, local security firms, media outlets, advertising and marketing firms, and real estate developers. However, there are those low income individuals who constitute the majority of the population, and are unlikely to benefit directly from the event and "whose quality of life depends upon well-functioning public services, and is diminished when these services are cut back in order to pay for Olympic infrastructure." It can be assumed that similar consequences should accompany 2010 given the similarities between the Olympics and the FIFA World Cup. Hence, in bidding for a mega-event, there are few who stand to receive significant gains, and thus have the incentives to influence policy-makers.

The effect of hosting may be more detrimental to those that are dependent on the state in a developing nation, such as South Africa, because expenditures on the World Cup may be more efficiently spent elsewhere in the economy. The 'Bread, not Circus' argument claimed that "public money spent for the Games would be taken from other more important sectors (e.g. education and health)" (Kasimati, 2003: 339). In an analysis of the Cape Town Bid for the 2004 Olympic Games, Hiller (2000: 455) argued that when "local

⁴⁵ See *Appendix F* for full list of GDP growth rates of World Cup hosts in the years before and after their event.

people in the millions lack adequate housing, food and subsistence needs, preparing for a ‘circus’ when people need ‘bread’ will always appear inappropriate.”

Waitt (2003: 204) noted that proponents of the ‘Bread *and* Circus’ argument hypothesised that the “most socioeconomically disadvantaged will be those most absorbed by an event’s ‘party’ syndrome,” and as such benefit from hosting. However, Waitt (2003: 212) contested the view in a study of the utility that different individuals derive from an event: “No statistical difference in levels of enthusiasm could be found when the sample was differentiated by surrogate measures of class.” Furthermore, the fleeting enjoyment of the event cannot compare to a sustained improvement in the education or healthcare systems. Hall (2006: 68) maintained that “investment in accessible and affordable education, health and communications technology, along with a diversified job creation strategy is far more likely to have more long-term benefits for urban economic and social well-being than investment in elite mega-sports events and infrastructure.” Bass and Pillay (2008: 334) claimed that inequality “may even be exacerbated by the hosting of the World Cup.” In terms of distribution of wealth, Mabugu and Mohamed (2008: 20) found that the event would be regressive. Therefore, the World Cup as a public policy fails to meet the criteria for being Pareto Efficient, as some individuals are made worse off by the policy. In deciding to host mega-events, governments place great faith in the hypothetical economic and image implications, which this study has shown to be anything but a certainty, and are promoted at the expense of more assured policies. Mabugu and Mohamed (2008: 3) stated that the 2010 World Cup spending came from a budget surplus. Hence, some may argue that since 2010 was funded by a budget surplus then no alternate policy was forgone, even if funds were not taken away from other projects, 2010 funds could nonetheless have been used to augment current policies’ budgets. However, by October 2009 the South African budget deficit had grown to 7.6% of GDP (Mail and Guardian, 2009d); it then follows that spending on the World Cup occurred at the expense of other public policies. According to Trevor Manuel (2005: 22), those infrastructural projects that were specifically related to hosting 2010, received priority funding over other projects. As an example of policy alternatives, given that the Green Point Stadium’s final cost was estimated to be R4.4bn

(Sunday Times, 2009c), and that one Reconstruction and Development Program (RDP) house of between 18m² and 23m² that has one bedroom and a combined lounge, kitchenette and toilet costs approximately R53 000 (Times, 2009c), then some 83 000 such houses could be built at the same expense as only one new World Cup stadium.

Baade and Matheson (2004a: 1092) further explained that “the cost of building a new stadium is not best described by the amount of money needed to build the facility but rather the value to society from the same amount of capital spent on the next best public project.” Hence, if the event is not the most productive use of government spending, “then it is plausible to suppose that it will undermine national productivity by reducing economic potential” (Szymanski, 2002: 3). In this regard, Bohlmann (2006: 17) pointed out that the costs spent on mega-events should be kept down in terms of investment in capital that is specific to the event and will have a low net value after the event. Rather, the focus of investment should be on infrastructure such as telecommunications, transport and urban regeneration that “contribute significantly to the longer term development of the region.” The problem with using an event as a catalyst for infrastructural improvements is two-fold: first, the investment is happening in a relatively short space of time building up to the event as opposed to a more gradual process, and second, investment in infrastructure is not a nation-wide policy, but rather is centred on the cities that are host venues. The short period of accelerated government spending should cause a rise in interest rates, which would “render unprofitable some investment projects that would otherwise have taken place. Crowding out private sector investment in this way is likely to undermine long term growth prospects” (Szymanski, 2002: 3). Further, the brief and intense spending can place unnecessary strain on the national budget, compounding the effects that hosting the event can have on other government projects (The described scenario is in contrast to the gradual development that preceded the Barcelona Games, which is alleged to have caused long-term growth in the region). That investment in infrastructure is not performed nation-wide, accentuates inequality issues. The host venues were chosen based on their current levels of development, they were the wealthier cities in the country initially, thus the event-induced infrastructural investments widen the gap between hosts and other cities.

Irrespective of the compelling arguments against pursuing mega-events as a public policy, they are a rare commodity that gives opportunities to developing nations that are not available elsewhere. In discussing developing nations Black (2007: 274) suggested events are a critical opportunity “among a declining array of legitimate policy alternatives for addressing these vulnerabilities and needs,” which relate to concerns regarding their position and importance in the global community. The issue is especially pertinent to South Africa, which is physically, culturally and economically distant from the majority of first world nations. The “globalization of the media along with space-time compression associated with technological developments in transport and communication which have provided increased commercial impact for sports events” (Hall, 2006: 60) allows South Africa to take itself to the rest of the world, bridging the divides that ordinarily exists. While the World Cup is driven by globalisation, it also works to promote globalisation (Horne and Manzenreiter, 2004: 200). Mega-events are unique as a policy, and as such offer extraordinary opportunities that can potentially resolve the conundrum of how to integrate South Africa more comprehensively into the global community. Hence, 2010 as a public policy is not only appropriate, but possibly the only policy that could be pursued in order to achieve the required objective. However, it is debatable as to whether it is actually necessary for South Africa to become more integrated.

A limited survey was conducted in order to ascertain whether the World Cup as a public policy was Pareto Efficient. Fifty respondents were interviewed, taken from the Rhodes University student community. The survey did not attempt to interview an accurate demographic cross-section of the South African population, and the results do not claim to be fully representative of the opinions of the ‘average’ South African citizen. As the survey was an ancillary feature of the broader CBA study it was not deemed necessary it expand the sample; a more diverse set of respondents would not have added to the explanatory power of the results. The respondents were asked their opinion regarding government spending on the World Cup, and the role that the World Cup plays in integrating South Africa into the global community. Each interviewee was asked to

respond to 3 comments, where there were 5 possible responses to each: strongly agree, agree, neutral, disagree and strongly disagree. The statements were as follows:

- 1) As a public policy, the World Cup is a worthy use of government funds.
- 2) South Africa needs to be more integrated into the global community.
- 3) The World Cup is a good way of helping South Africa become more integrated into the global community.

The table below details the results of the survey:

Table 9. Survey results.

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Average
1	7	21	13	7	2	24	0.48
2	14	28	5	3	0	53	1.06
3	16	23	7	4	0	51	1.02

Source: Survey conducted at Rhodes University during September, 2009.

If a respondent had chosen to ‘strongly agree’ with the statement, their response was given a weighting of 2, conversely, a ‘strongly disagree’ was weighted as -2. ‘Agree’ and ‘disagree’ were weighted as 1 and -1 respectively, while neutral was given a 0 weighting. Thus, summing the value of each response multiplied by its weighting gave a total, which when divided by the number of respondents gave the average opinion.⁴⁶

Hence, having looked at a segment of the population, the average respondent would then tend to believe that the World Cup is a worthy expenditure of public funds, but was not adamant about that position. They lie between ‘neutral’ and ‘agree;’ however the mode was ‘agree.’ The results indicate that the criterion for Pareto Efficiency are further violated, as eight respondents either strongly disagreed or disagreed that the World Cup was worthy of government funds; it is not a policy that everyone prefers above all other alternatives.⁴⁷ Nonetheless, a small majority (56%) of respondents agreed or strongly agreed that the World Cup was a worthy expenditure of government funds. Hence, the

⁴⁶ The survey technique was influenced by a similar method used by Cornelissen et al. (2008).

⁴⁷ It is more difficult to determine if the Kaldor-Hicks parameters are satisfied. Only after the event, once the full benefits are known, can it be speculated as to whether the winners from 2010 could compensate the losers.

event could be justified as a public policy based purely on a popular vote. However, the respondents were naturally not informed about all the issues that have been identified so far in this study, and hence their opinion is biased by organiser rhetoric and mega-event fallacies. Aware of the sample's uninformed opinion, the survey was designed to negate any preconceived ideas that respondents might hold regarding the economic impact of 2010. It allowed the ability of the event as a means of integrating South Africa into the international community to be determined.

The second and third statements addressed the same issue. There was an overwhelming majority who agreed that South Africa needs to become more integrated into the global community, with only 6% of respondents disagreeing. The average of 1.06 implies that the average respondent would agree with the statement. Therefore, the question that was posed earlier as to whether South Africa needed a policy to aid integration is answered, the popular opinion in the sample was that it is necessary. Hence, a policy could be justified if it pursued that objective.

Given the responses to the second statement, the third statement sought to determine if the World Cup could aid in achieving the objective of statement two. There was approximately the same support for the statement that the integration could be fostered by hosting the World Cup as there was that there was a need for such a policy; 78% agreed or strongly agreed that 2010 would do so. That the respondents agreed that the World Cup can lead to integration, the event as a public policy appears to be justified as there are very few, if any, alternatives that can provide the exposure and increased awareness as the World Cup. However, whether the broader population would agree to the World Cup as a public policy or not, based on the integration argument alone, irrespective of negligible short-term economic gains, is debatable, and is an area for further research using a larger, more representative sample.

To become more integrated is essentially just an alteration of the national image abroad, where other nation's perceptions of South Africa have changed; and hence South Africa can become more included in the international community. However, the question

remains as to whether the World Cup will make South Africa more integrated or not. If it does achieve the goal, then expenditure was acceptable; if not, it should be argued that the policy was a poor use of government funds. Either way, the final judgement on 2010 as a public policy can only be made in the years following the World Cup.

5.14. Determination of Net Benefits

Having analysed the factors which can be regarded as being costs and benefits of hosting the 2010 World Cup, they need to be contrasted against each other in order to determine the cumulative net impact on South Africa, and hence ascertain whether expenditures on the event can be justified.

The costs and benefits of hosting the event were identified in *Chapter 5*, and are categorised in the following tables according to the nature of their expected effects. Costs and benefits were grouped in one of three factor categories: monetary, intangible and potential. ‘Monetary’ factors were quantified during the study; the cost was subtracted from its related benefit to calculate the net monetised value of the factor. The net values were then summed, to determine the total short-term financial impact of the event. Analytical judgments were made regarding the expected impact of ‘intangible’ factors, which could not be assigned monetary values but should still be incorporated into an analysis of the total impact of the event. The net cost or benefit was determined subjectively, and given a rating between -3 and 3 to signify the expected weight that the factor will have on the total impact of the event. Negative values implied costs, and positive values represent factors which are benefits. The method allows an assessment of the likely *net* impact of intangible factors. Finally, ‘potential’ factors were listed, and categorised as such for two reasons: first, there is no certainty that they will occur during or after 2010, and second, if they do occur, their extent is unknown. Some factors can only be counted as costs should they happen, and do not have any corresponding benefits. The direct cost of some of the benefits is the actual cost of staging the World Cup, without which, the benefit would not be possible. The factors were ranked as either costs

or benefits on the basis of expectations developed during the CBA. Again, the net effects of the potential factors were qualitatively summed.

The contents of *Tables 10a, 10b and 10c* are based on the data collected and conclusions drawn during analysis in *Chapter 5*.

5.14.1. Monetary Factors

Table 10a. Monetary Costs and Benefits of hosting the 2010 World Cup.

Factors	Costs	Benefits	Benefit – Costs = (Rbn)
Monetary	Stadia Construction: R11.5bn	Ability to stage 2010 and future events	-11.5
	Stadia Maintenance: R950m	Ability to stage 2010 and future events	-0.950
	Transport Infrastructure: R1.27bn – R3.16bn	Ability to stage 2010 and future events	-2.215 ⁴⁸
	Hosting*: R6.543bn	Ability to stage 2010.	-6.543
	Concessions and Merchandising: R550m	Enjoyment of purchase	-0.550
	Sponsorship: R1.6bn	International exposure for South African companies	-1.6
	Displacement effects: R5.39bn	Short-term World Cup tourist spending: R13.1bn	7.71
	Higher costs of collection and disruption of regular tax patterns	Increased tax revenues	7.2
Total			Net Monetary Cost of R8.898bn

Note: * 'Hosting' costs include spending on broadcasting and telecommunications (R300m), event operations (R684m), safety and security (R1.3bn), event volunteer training (R25m), immigration support (R630m) (Financial Mail Campus, 2009: 6), payments to FIFA (R3.1bn), community mobilisation (R17m) and culture and legacy projects (R487m) (Mabugu and Mohamed, 2008: 7).

The dominant cost is spending on stadia development. The implicit operational costs of staging 2010 are significant and act to reduce the net gains. The most significant benefit

⁴⁸Calculated as the average of the upper and lower limits of the estimated range.

of increased short-term tourist expenditure is offset by the crowding out effect of ordinary tourists. The summation of all the monetised costs and benefits results in the event deriving a net cost of approximately R8.9bn.

The decision to host 2010 cannot be based solely on quantified factors as they do not reflect the full implications of hosting.

5.14.2. Intangible Factors

Table 10b. Intangible Costs and Benefits of hosting the 2010 World Cup.

Factors	Costs	Benefits	Benefit – Costs = (Rbn)
Intangible	Wages paid	Short-term employment in construction of stadia: between 12 000 and 20 000	1
	Short-term inflation	Higher profits for some providers of goods and services	-2
	Congestion**	-	-2
	Lost local advertising	-	-1
	Petty crime**	-	-1
	Cultural standardisation	Integration into the global community	2
	Higher real estate prices for buyers	Higher real estate prices for sellers	0
	Erosion of governmental autonomy	Opportunity to stage 2010	3
	-	Human capital gains through transfer of expertise and volunteering	2
Total			(+ 2) Marginal Net Benefit

Note: ** The monetary cost of ‘Safety and Security’ estimated at R1.3bn, is reflected in the ‘Infrastructural and Hosting’ costs. The figure does not reflect the total cost, it is a minimum; widespread hooliganism, for example, would raise the total cost above the monetary cost.

Collectively, the intangible factors were adjudged to sum to a marginal net benefit. As financial costs significantly exceed benefits, and intangible benefits are only marginally greater than intangible costs, the event still is expected to be hosted at a net cost. This is however, not a definitive conclusion on the net impact of 2010, as the potential impacts have the capacity to comprehensively overshadow any short-term losses caused by the factors thus far identified.

5.14.3. Potential Factors

Table 10c. Potential Costs and Benefits of hosting the 2010 World Cup.

Factors	Costs	Benefits	Benefit – Costs = (Rbn)
Potential	Long-term inflation	-	Cost
	Appreciation of the rand for importers	Depreciation of the rand for exporters	Uncertain
	Prostitution and human trafficking**	-	Cost
	Hooliganism and vandalism**	-	Cost
	Terrorism**	-	Cost
	Risk of spreading disease	-	Cost
	Environmental degradation	-	Cost
	Displaced Locals	-	Cost
	-	‘Feel-good’ effect	Benefit
	-	Growth of national unity	Benefit
	-	Improved South African image	Benefit
	-	Increased long-term tourism revenues	Benefit

	-	Increased long-term foreign direct investment	Benefit
	-	Long-term employment	Benefit
Sub-Total			Benefit, but the extent is uncertain

Note: ** The monetary cost of ‘Safety and Security’ estimated at R1.3bn, is reflected in the ‘Infrastructural and Hosting’ costs. The figure does not reflect the total cost, it is a minimum; widespread hooliganism, for example, would raise the total cost above the monetary cost.

It is the extent to which the potential factors occur that is the key determinant in calculating the net impact of the event. Their cost could be inconsequential or significant; in either instance, the extent will only be known after the event. It was concluded that the potential factors would derive a net benefit, but of an unknown scale.

The World Cup was found to have the capacity to cultivate an improved image of South Africa in the international community. The image-dependent factors, long-term tourism and FDI, were observed to have the most significant bearing on the final economic impact of 2010; and require a long-term time frame over which they are analysed. That the most significant costs, being stadia, hosting and infrastructural, are quantifiable but the factors that offer the greatest potential benefits are indeterminate or intangible, renders the results derived from calculating the short-term impact not a true reflection of the economic impact.

In an effort to quantify the effects of an improved international image, the Gordon Growth Model can be used to calculate the intrinsic value of a project or asset which is expected to derive benefits in perpetuity at a constant growth rate. The cash flow that is expected to be derived in the first year after the investment can be discounted by the discount rate minus the expected growth rate (McLeavey et al., 2008: 295):

$$V = CF / (r - g)$$

Where, V = present value

CF = cash flow in the period

r = discount rate

g = growth rate

The South African Reserve Bank (2009e) Prime Rate (10.5%), as the discount rate and the 2008 South Africa FDI flow (R900bn) were used as constant inputs into the model. Through application of different assumed growth rates, from 5% down to -2.5%, the intrinsic value of the World Cup in terms of increased FDI growth was calculated. The application shows the implications of a tarnished South African image post-2010, which reduces FDI in the future.

Table 10d. Intrinsic Value of World Cup in terms of FDI.

Increase in FDI in 2011 (Rbn)	45.0	22.5	9.	4.5	-4.5	-9	-22.5
Growth Rate (%)	5	2.5	1	0.5	-0.5	-1	-2.5
Discount Rate (%)	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Intrinsic Value (Rbn)	818.2	281.3	94.7	45	-40.9	-78.3	-173.1

Note: The increase in FDI is calculated as the assumed growth rate multiplied by the proxy FDI flow of R900bn per year.

An increase in FDI growth rate by 5% due to World Cup exposure for South Africa would completely eclipse the short-term monetised cost as identified previously. A change in investor sentiment can possibly affect FDI flows; however, apart from the improved infrastructure, which is a by-product of the event, 2010 is set to have little impact upon the determinants of FDI, and thus should not be expected to have a prominent impact on FDI growth. Should the World Cup only stimulate increased growth of between 0.5% and 1%, benefits between R45bn and R94.7bn would be derived. Thus, a seemingly insignificant effect on the nation's image abroad can have significant long-term implications. A reduced rate would increase the cost staging far beyond the estimated R8.9bn.

The same application can be used to model the long-term impact of tourism. Estimated tourist spending in 2010 was calculated as a function of the previously used assumed

growth rates in tourist visitors, and 2008 spending of R74.2bn was inflated to R80.32bn in 2010.⁴⁹ Different assumed growth rates, between 10% and -10%, were applied.

Table 10e. Intrinsic Value of World Cup in terms of tourist spending under positive growth rates.

Increase in Tourist Spending in 2011 (Rbn)	8.032	6.024	4.016	2.008	0.803
Growth Rate (%)	10	7.5	5	2.5	1
Discount Rate (%)	10.5	10.5	10.5	10.5	10.5
Intrinsic Value (Rbn)	1 606.3	200.8	73	25.1	8.5

Note: The increase in tourist spending is calculated as the growth rate multiplied by the estimated tourist revenue for 2010 of R80.32bn.

While, the respective values in *Table 10e* are appreciably lower than those in *Table 10d*, a higher growth rate can be assumed. Only a 1% increase in the growth rate of tourist revenues in perpetuity will overcome the net financial cost of the event, and result in a net benefit. Higher growth rates will result in even greater gains, and the net benefit of staging 2010 could not be doubted, especially when tourism growth is combined with increased FDI flows. Tourism revenues may however be negatively affected by hosting 2010.

Table 10f. Intrinsic Value of World Cup in terms of tourist spending under negative growth rates.

Decrease in Tourist Spending in 2011(Rbn)	-0.803	-2.008	-4.016	-6.024	-8.032
Growth Rate (%)	-1	-2.5	-5	-7.5	-10
Discount Rate (%)	10.5	10.5	10.5	10.5	10.5
Intrinsic Value (Rbn)	-7.0	-15.4	-25.9	-33.5	-39.2

⁴⁹ $74.2(1.026)(1.055) = 80.316$

It is evident that South Africa has proportionately more to gain from the World Cup in the long-term than is at risk. While, a 5% increase in the tourist revenue growth has a present value of R73bn, a 5% decline leads to a R26bn loss of revenues.

The model employed is however extremely sensitive to the inputs used; a marginally higher or lower discount rate has significant impacts on the intrinsic value. If the model is altered to determine the present value of the event over a fixed time period of benefits and not in perpetuity, the economic gains are still significant.

Projected tourists revenues into the future, with growth compounding year on year, can be reduced to present values through application of the discount rate. A 20 year time horizon was assumed and the Prime Rate of 10.5% was applied as the discount rate. As before, 2010 tourist spending was estimated at R80.32bn. The Discounted Cash Flow Model was employed, as explained by Pearce et al. (1971: 35):

$$V = \Sigma B / (1 + r)^N$$

Where, V = present value

B = benefit the period

r = discount rate

N = time period

Table 10g. Present Value of World Cup in terms of increased tourist spending. ⁵⁰

Growth Rate (%)	10	7.5	5	2.5	1	-1	-2.5	-5	-7.5	-10
Present Value (Rbn)	140.1	85.6	47.1	19.7	7.1	-6.3	-14.4	-25	-33.1	-39.3

The more realistic application derives similar results, although of a lower magnitude, to those assuming growth in perpetuity. Irrespective of FDI growth, a 2.5% increase in growth in tourist revenues, for 20 years, will cause the net economic impact of the event to be positive, when considering the R8.9bn net financial cost. Ignoring all other potential

⁵⁰ See *Appendix G* for full calculations.

benefits and intangibles, by expanding *Table 9g* to include the net financial costs, the net impact of the 2010 can be framed as follows:

Table 10h. Net Economic Impact of 2010, accounting for only net financial costs and the present value of increased tourist spending over 20 years.

Tourist Spending Growth Rate (%)	10.0	7.5	5.0	2.5	1.0	-1.0	-2.5	-5.0	-7.5	-10.0
Present Value of Tourist Spending (Rbn)	140.1	85.6	47.1	19.7	7.1	-6.3	-14.4	-25.0	-33.1	-39.3
Net Financial Costs (Rbn)	-8.9	-8.9	-8.9	-8.9	-8.9	-8.9	-8.9	-8.9	-8.9	-8.9
Economic Impact of 2010 (Rbn)	131.2	76.7	38.2	10.8	-1.8	-15.2	-23.3	-33.9	-42	-45.2
Economic Impact of 2010 (% of GDP)⁵¹	5.6	3.3	1.6	0.5	-0.06	-0.6	-1.0	-1.4	-1.8	-2.0

The exercise displays the significance of the potential long-term benefits of staging 2010, and indicates that they comfortably overcome the net financial cost. It is evident that small changes in growth rate have prominent long-term implications.

A final analysis of the long-term effects of the World Cup on tourist revenues, involves the use of differing growth rates during different periods over the 20 year time span. It is probable that the event's effects on growth will gradually dissipate over time. As described in *Chapter 2*, previous events, such as the 2000 Sydney Olympic Games, saw declines in tourists in the years immediately following the event, with rates increasing again in later years. The assumed growth rates in the following table look to replicate that effect. The maximum growth rate is assumed to be maintained for 5 years, after which it linearly declines for 9 years to 1%, which is then reduced to zero by the end of 20 years.

⁵¹ See page 52 for 2010 GDP calculation.

The projections result in a significant present value of World Cup induced tourist spending of R62.6bn.

Table 10i. Present Value of World Cup induced tourist revenues, with changing tourist revenue growth rates

Year	Growth Rate (%)	Total tourist revenues (Rbn)	Value of World Cup induced tourist revenues (Rbn)	Present Value of World Cup induced tourist revenues (Rbn)
2010	10	88.3	8.0	8.0
2011	-10	79.5	-8.8	-8.0
2012	5	83.5	4.0	3.3
2013	7.5	89.8	6.3	4.6
2014	10	98.7	9.0	6.0
2015	10	108.6	9.9	6.0
2016	10	119.5	10.9	6.0
2017	10	131.4	11.9	5.9
2018	10	144.5	13.1	5.9
2019	9	157.6	13.0	5.3
2020	8	170.2	12.6	4.6
2021	7	182.1	11.9	4.0
2022	6	193.0	10.9	3.3
2023	5	202.6	9.6	2.6
2024	4	210.7	8.1	2.0
2025	3	217.1	6.3	1.4
2026	2	221.4	4.3	0.9
2027	1	223.6	2.2	0.4
2028	0.5	224.7	1.1	0.2
2029	0.25	225.3	0.6	0.1
Total				62.6

Only once an assessment of the World Cup's actual effect on FDI, tourism and South Africa's integration into the international community is possible, can economists and politicians reflect upon the event's merits as a public project. Hindsight will reveal whether expenditure on the World Cup was in the best interests of the public and whether the event was a decisive driver of domestic economic growth. Only in the long-term can judgements be made as to whether spending on stadia was preferable to, for example, greater funding for nationwide HIV/AIDS treatment, and the actual opportunity costs assessed. Nonetheless, the following conclusions may be drawn from a forward-looking analysis of 2010:

Table 10j. Summation of Costs, Benefits and Potential factors of hosting the 2010 World Cup.

Factors	Net Effect
Monetary	Cost of R8.9bn
Intangible	Marginal benefit
Potential	Benefit, but the extent is uncertain
Summation	Cumulative impact is dependent on the extent to which 'Potential' factors are realised.

In the 2010 context it can be expected that the potential positive factors do materialise and will have the substance to ensure that staging 2010 in South Africa confers a positive net economic impact upon the country.

CHAPTER 6: CONCLUSION

Mega-events are associated, by the public and politicians, with significant positive implications such as enhanced international exposure of the host (Chalkley and Essex, 1998; Gursoy and Kendall, 2006; Kim et al., 2006), improved infrastructure, increased tourist numbers, higher employment levels and tax revenues (Kurtzman, 2005), greater feelings of patriotism among host region residents (Cornelissen and Swart, 2006) and integration of the host into the international community. Supporters of events have claimed that the occasions stimulate prominent economic gains for the host region (Baade and Matheson, 2004b; De Groote, 2005; Dwyer et al., 2005). The economic and tourism growth that occurred in Barcelona following the 1992 Olympic Games is cited by proponents of hosting as an example of the potential benefits that an event can derive on the host (Economist, 2004). However, the claim that the Games was the sole driver of growth in the region was subsequently shown to have been a misconception and the growth the result of a broader infrastructural development programme (Chapter 1) (Marshall, 2004).

An analysis of previous mega-events, demonstrated that net benefits were not a necessary consequence of hosting, as was the case of the 1992 Atlanta Olympic Games. Comparison of pre-event estimates of the economic impact and their actual effects are universally divergent (Chapter 2). The observation was validated by the consensus academic opinion that economic impact studies systematically overstate the benefits and underestimate the costs of hosting (Horne and Manzenreiter, 2004; Kasimati, 2003; Owen, 2006). Further, different forward-looking studies of the same event, calculate vastly different predictions. There is a distinct void in the study of mega-events, as *ex post* studies are rarely undertaken to determine the actual economic impact. The tools for calculating the economic impact, specifically Input-Output Analysis and Computable General Equilibrium, are inadequate given their dependence on the data inputs. With reference to 2010, cost data has continually increased since 2003; thus determining the appropriate inputs to an I-O or CGE is problematic, which reduces the applicability of their results. It was identified that the weight given to the multiplier effect was also a

factor in the amplification of the expected benefits, as the multipliers do not sufficiently account for the leaks of resources from the domestic economy (Chapter 3) (Dwyer et al., 2006; Siegfried and Zimbalist, 2000) .

Given their inability to produce meaningful results, I-O and CGE models were rejected as a means of providing a significant understanding of the potential economic impact of 2010. This study therefore concentrated on conducting a comprehensive analysis of the *determinants* of the economic impact of the 2010 World Cup based on the premise that the identification of the relative costs and benefits of staging the event was regarded as a greater contribution to body of knowledge on the topic. For this purpose a Cost-Benefit Analysis was considered as appropriate for the analysis as it provides the framework for systematic dissection of the problem and comparison of the pros and cons (Gillroy and Wade, 1992; Gramlich, 1981). A further motivation for the CBA approach was its ability to include intangible factors into the final summation (Bellás and Zerbe, 2006: 3-5). Where feasible, costs and benefits were quantified in monetary terms. Analysis of determinants indicated the great extent of unquantifiable factors, discussion of which made for a much more complete understanding of the issue (Chapter 3).

Factors that were included in the CBA were identified from issues in previous mega-events (Chapter 2), from the relevant theory for conducting economic impact studies (Chapter 3) and recent studies on the anticipated economic impact of 2010 (Chapter 4). The results drawn from *Chapter 5* are outlined below.

That FIFA impose tight restrictions with regards the regulation of merchandising, sale of concessions and sponsorship, the ability of South Africa firms to gain from the event is undermined, and also leads to a loss of resources from the domestic economy. Similarly, the tax collecting opportunities of the South African Revenue Services are reduced. Resource constraints in labour and capital markets necessitate the use of foreign firms in hosting 2010, stimulating only minimal increased employment in the short-term. In contrast, significant short-term inflation can be expected, with the long-term effect on prices dependent on decisions of suppliers of goods and services. Further, the claim that

demand for the rand by World Cup tourists would appreciate the currency was refuted on the basis that their demand would not constitute a high enough proportion (0.13%) of the rand's daily trading volume.

The sustainability of stadia was acknowledged as a significant long-term concern given their maintenance costs, estimated at a present value of approximately R900m. In addition, the possible secondary costs of hosting 2010 were identified, specifically human trafficking, prostitution, hooliganism and congestion.

It was found that for events to enhance national unity, several conditions have to prevail simultaneously, and that increased patriotism was doubtful during 2010 due to the weakness of the South African national football team. The performance of the *Bafana Bafana* during the tournament is only likely to have direct implications on nation building. Poor results from the team may however cause the public to become disinterested in the event. The image implication of hosting 2010 is the most salient factor in considering the economic impact, as an alteration in the national image can have long-term effects on foreign direct investment and tourism. It is however not a certainty that the international exposure that South Africa receives will be beneficial. The greatest risk to South Africa in hosting the World Cup is that the nation emerges from the event with a tarnished international image. A poorly held tournament would negatively affect international opinions of the nation, and negatively impact upon both investment and tourism in the long-run. The event would then be held at a significant net cost.

The impact on FDI is however expected to be negligible given the inability of the event to affect the determinants of FDI flows. In terms of tourism, the crowding out effect was shown to reduce the short-term tourism gains. Increased tourists will also act to displace locals who leave the host region during the event. As was shown in the 'Determination of Net Benefits,' the short-term economic consequences of staging 2010 are expected to be overshadowed by the long-term effects on revenues within the tourism industry. It can be expected that there will not be significant short-term economic gains due to 2010; this

study predicted a net cost of approximately R8.9bn offset by a marginal intangible net benefit.

It is South Africa and its populace's performance as hosts which will define the role that 2010 plays in stimulating a net economic benefit in the country. An efficiently run tournament will make a strong statement about South Africa's capabilities. There is a great weight of expectation upon South Africa, and given the preparations and investment in infrastructure, it is evident that organisers are aware of the perils of a failed World Cup. It is not expected that the event will be characterised by inferior facilities and inadequate organisational measures. The *physical* staging of the event is not the prominent cause for apprehension, it is instead whether that the *expected* economic impacts associated with successful hosting are not realised, and the event comes at a net cost.

The most that can be expected of South Africa in staging the event is to create the conditions and environment in which economic benefits are able to be generated; an objective that is predicted to be achieved. The final impact is then dependent upon the capacity of the World Cup in itself, as an instrument of policy, to stimulate long-term economic growth. It was however observed that the consensus academic opinion is that mega-events do not have the capacity to instigate long-term economic growth in the region (Horne, 2004; Kesenne, 2005; Syzmanski, 2002). Therefore, four conclusions regarding the economic impact of 2010 were drawn:

- 1) The total net impact is far more complex to calculate than a simple summation of the tangible financial expenditures.
- 2) The economic impact of the event will be total short-term net cost; constituted of a net financial cost, marginally offset by net intangible benefits.
- 3) The eventual long-term impact will be a function of the potential benefits, which can be expected to exceed the short-terms costs, and derive a cumulative net benefit.

- 4) The World Cup is unlikely to stimulate the economic growth rate above levels that would have occurred had the event not been held in South Africa.

This study does not propose an alternate public project that should have been pursued in lieu of World Cup spending, but rather sought to describe and bring to light the issues involved in an event-led economic growth policy. While 2010 is a platform for South Africa to exhibit the nation's infrastructural development, organisational ability and growing economic potential, it conceals the issues that government are failing to manage such as poverty alleviation, service delivery and healthcare. Staging 2010 is high risk since it is uncertain whether the greatest anticipated benefits will be realised. In either eventuality, only the passing of time will reveal whether the 2010 World Cup was a prudent public project given South Africa's current social and economic landscape. Further research on the topic would be best conducted in the years following the event. Other factors affecting the total costs and benefits may be revealed as the event is staged and then passes by. In addition, the extent to which the potential factors occur will become apparent. A purely economic impact study can then be conducted, based on more accurate estimates of inputs.

APPENDIX

A. Total number of tickets available for 2010 fixtures.

Stadium	Tickets	No. of Matches	Total Tickets Available
Soccer City	88 000	8	704 000
Ellis Park	61 000	7	427 000
Loftus Versfeld	49 000	5	245 000
Peter Mokaba	45 000	4	180 000
Mbombela	43 000	4	172 000
Moses Mabhida	70 000	8	560 000
Nelson Mandela	45 000	8	360 000
Green Point	64 000	9	576 000
Free State	45 000	6	270 000
Royal Bafokeng	44 000	5	220 000
Total	554 000	64	3 714 000

Source: FIFA (2009d: 8)

B. Present Value of maintaining new World Cup stadia

Year	Cost to maintain per year (Rm)	Discount factor	Present value of cost to maintain (Rm)
1	55 000 000	1.11	49 773 756
2	57 750 000	1.22	47 296 329
3	60 637 500	1.35	44 942 213
4	63 669 375	1.49	42 705 270
5	66 852 844	1.65	40 579 669
6	70 195 486	1.82	38 559 866
7	73 705 260	2.01	36 640 597
8	77 390 523	2.22	34 816 857
9	81 260 049	2.46	33 083 891
10	85 323 052	2.71	31 437 181
11	89 589 204	3.00	29 872 435
12	94 068 665	3.31	28 385 572
13	98 772 098	3.66	26 972 715
14	103 710 703	4.05	25 630 182
15	108 896 238	4.47	24 354 471
16	114 341 050	4.94	23 142 258

17	120 058 102	5.46	21 990 381
18	126 061 007	6.03	20 895 837
19	132 364 058	6.67	19 855 773
20	138 982 261	7.37	18 867 476
21	145 931 374	8.14	17 928 371
22	153 227 942	8.99	17 036 009
23	160 889 340	9.94	16 188 063
24	168 933 807	10.98	15 382 322
25	177 380 497	12.14	14 616 686
26	186 249 522	13.41	13 889 159
27	195 561 998	14.82	13 197 843
28	205 340 098	16.37	12 540 937
29	215 607 103	18.09	11 916 727
30	226 387 458	19.99	11 323 587
31	237 706 831	22.09	10 759 970
32	249 592 172	24.41	10 224 405
33	262 071 781	26.98	9 715 498
34	275 175 370	29.81	9 231 922
35	288 934 138	32.94	8 772 414
36	303 380 845	36.40	8 335 778
37	318 549 887	40.22	7 920 875
38	334 477 382	44.44	7 526 623
39	351 201 251	49.11	7 151 995
40	368 761 313	54.26	6 796 013
41	387 199 379	59.96	6 457 750
42	406 559 348	66.26	6 136 324
43	426 887 316	73.21	5 830 896
44	448 231 681	80.90	5 540 670
45	470 643 265	89.39	5 264 890
46	494 175 428	98.78	5 002 826
47	518 884 200	109.15	4 753 816
48	544 828 410	120.61	4 517 201
49	572 069 830	133.28	4 292 363
50	600 673 322	147.27	4 078 716
51	630 706 988	162.73	3 875 703
52	662 242 337	179.82	3 682 794
53	695 354 454	198.70	3 499 488

54	730 122 177	219.57	3 325 305
55	766 628 285	242.62	3 159 792
56	804 959 700	268.09	3 002 518
57	845 207 685	296.24	2 853 071
58	887 468 069	327.35	2 711 063
59	931 841 472	361.72	2 576 123
60	978 433 546	399.70	2 447 900
Total			953 267 135

C1. Cost of Car Hire in Rands:

Cost per day	323
2010 Prediction	371
Cost split between 3 people	124
Rounded	125

A Toyota Corolla was used as an average booked vehicle at Avis Car Rentals. The booking was made 4 and a half months in advance, and was made in Cape Town for 10 days between 19 and 29 December, 2009. A 15% price increase was applied to the quoted rates.

C2. Cost of Domestic Flights in Rands:

Airline	Cost
Mango	942
SAA	1 167
1Time	1 295
Average	1 135
2010 Prediction	1 305
Rounded	1 300

The booking was made 4 and a half months in advance, and was for a flight between Johannesburg and Cape Town. Three domestic airlines were surveyed and the average cost was applied with a 15% price increase to simulate World Cup prices.

C3. Total Cost of Internal Travel in Rands:

Air travel	$1300 \times 4 = 5\,200$
Car Hire	$125 \times 8 = 1000$
Total	6 200

D1. Set Two: Relaxed Assumptions:

Expenditure:	Cost (R):	Assumption that each tourist will:
Accommodation/night	20 000	Visit for two thirds (20 nights) of the tournament spending R1000 per night on accommodation
Internal travel	7 750	Make 5 domestic flights at R1300 each and hire a rental car for 10 days
Food & Drink	5 000	Spend R250 a day on food and drinks
Tickets	7 200	Attend 6 World Cup fixtures at an average cost of R1200
Miscellaneous	3 000	Spend R150 a day on curios, tips and unforeseen expenses
Tourist Activities	10 000	Spend R500 a day on tourist activities
Per Visitor Demand for Rands	52 950	
Per Visitor Demand for Rand in US\$	7 060	Assuming a fixed exchange rate of R7.50 per \$.
Visitors	450 000	
Total Spending in US\$	3 177 000 000	
Rand demand per day in US\$	42 360 000	Assuming an increased demand for rand over 60 days

D2. Set Three: Liberal Assumptions:

Expenditure:	Cost (R):	Assumption that each tourist will:
Accommodation/night	30 000	Visit for the duration of the tournament (30 nights) spending R1000 per night on accommodation
Internal travel	10 975	Make 7 domestic flights at R1300 each and hire a rental car for 15 days
Food & Drink	7 500	Spend R250 a day on food and drinks
Tickets	16 000	Attend 8 World Cup fixtures at an average cost of R2000
Miscellaneous	15 000	Spend R500 a day on public transport, curios, car hire, tips and unforeseen expenses
Tourist Activities	22 500	Spend R750 a day on tourist activities
Per Visitor Demand for Rands	101 975	
Per Visitor Demand for Rands in US\$	14 568	Assuming a fixed exchange rate of R7 per \$.
Visitors	500 000	
Total Spending in US\$	7 283 928 571	
Rand demand per day in US\$	161 865 079	Assuming an increased demand for rand over 45 days

E1. Total effect on tourist spending, under the assumption that 20% of African tourists entering by land are crowded out (in billions of rands).

Crowding out of non-World Cup ordinary tourists	Total Ordinary Tourist Spending at Crowding out level (Rbn)	Total spending by African visitors, entering by land (Rbn)	World Cup Tourist Spending (Rbn)
0	4.9	6.25	13.1
25	3.67	6.25	13.1
50	2.45	6.25	13.1
75	1.22	6.25	13.1
100	0	6.25	13.1

Total spending per month (Rbn)	Decrease in tourist spending due to the crowding out effect (Rbn)	Net Benefit of World Cup (Rbn)	Crowding Out Effect as % of World Cup Spending
24.24	1.72	11.38	0.13
23.02	2.95	10.15	0.22
21.8	4.17	8.93	0.32
20.57	5.39	7.71	0.41
19.35	6.62	6.25	0.51

E2. Total effect on tourist spending, under the assumption that 30% of African tourists entering by land are crowded out (in billions of rands).

Crowding out of non-World Cup ordinary tourists	Total Ordinary Tourist Spending at Crowding out level (Rbn)	Total spending by African visitors, entering by land (Rbn)	World Cup Tourist Spending (Rbn)
0	4.9	5.47	13.1
25	3.67	5.47	13.1
50	2.45	5.47	13.1
75	1.22	5.47	13.1
100	0	5.47	13.1

Total spending per month (Rbn)	Decrease in tourist spending due to the crowding out effect (Rbn)	Net Benefit of World Cup (Rbn)	Crowding Out Effect as % of World Cup Spending
23.46	2.5	10.6	0.19
22.24	3.73	9.37	0.28
21.01	4.95	8.15	0.38
19.79	6.17	6.93	0.47
18.57	7.4	5.47	0.56

F. World Cup host countries, with the economic growth rates for pre and post-World Cup years:

- 1954: Switzerland (4.0 and 5.5%);
- 1958: Sweden (1.9 and 4.0%);
- 1962: Chile (3.2 and 1.8%);
- 1966: Great Britain (1.4 and 3.0%);
- 1970: Mexico (2.9 and 5.2%);
- 1974: Germany (9.5 and 4.7%);
- 1978: Argentina (0 and 5.6%);
- 1982: Spain (−0.6 and 0.5%);
- 1986: Mexico (−2.2 and 0.6%);
- 1990: Italy (2.4 and 0.9%);
- 1994: United States (2.4 and 2.3%);
- 1998: France (1.9 and 2.9%). (Horne and Manzenreiter, 2004: 201).

G1. Present Value of World Cup in terms of increased tourist spending at 10% growth.

Year	Total tourist revenues (Rbn)	Value of World Cup induced tourist revenues (Rbn)	Present Value of World Cup induced tourist revenues (Rbn)
1	88.35	8.03	8.03
2	97.18	8.83	7.24
3	106.90	9.72	7.20
4	117.59	10.69	7.17
5	129.35	11.76	7.14
6	142.28	12.93	7.11
7	156.51	14.23	7.07
8	172.16	15.65	7.04
9	189.38	17.22	7.01
10	208.32	18.94	6.98
11	229.15	20.83	6.95
12	252.07	22.92	6.91
13	277.27	25.21	6.88
14	305.00	27.73	6.85
15	335.50	30.50	6.82
16	369.05	33.55	6.79
17	405.95	36.90	6.76
18	446.55	40.60	6.73
19	491.21	44.66	6.70
20	540.33	49.12	6.67
Total			140.05

G2. Present Value of World Cup in terms of increased tourist spending at 7.5% growth.

Year	Total tourist revenues (Rbn)	Value of World Cup induced tourist revenues (Rbn)	Present Value of World Cup induced tourist revenues (Rbn)
1	86.34	6.02	6.02
2	92.82	6.48	5.30
3	99.78	6.96	5.16
4	107.26	7.48	5.02
5	115.30	8.04	4.88
6	123.95	8.65	4.75
7	133.25	9.30	4.62
8	143.24	9.99	4.50
9	153.98	10.74	4.37
10	165.53	11.55	4.26
11	177.95	12.42	4.14
12	191.30	13.35	4.03
13	205.64	14.35	3.92
14	221.07	15.42	3.81
15	237.65	16.58	3.71
16	255.47	17.82	3.61
17	274.63	19.16	3.51
18	295.23	20.60	3.41
19	317.37	22.14	3.32
20	341.17	23.80	3.23
Total			85.57

G3. Present Value of World Cup in terms of increased tourist spending at 5% growth.

Year	Total tourist revenues (Rbn)	Value of World Cup induced tourist revenues (Rbn)	Present Value of World Cup induced tourist revenues (Rbn)
1	84.33	4.02	4.02
2	88.55	4.22	3.45
3	92.98	4.43	3.28
4	97.62	4.65	3.12
5	102.51	4.88	2.96
6	107.63	5.13	2.82
7	113.01	5.38	2.68
8	118.66	5.65	2.54
9	124.60	5.93	2.42
10	130.83	6.23	2.30
11	137.37	6.54	2.18
12	144.24	6.87	2.07
13	151.45	7.21	1.97
14	159.02	7.57	1.87
15	166.97	7.95	1.78
16	175.32	8.35	1.69
17	184.09	8.77	1.61
18	193.29	9.20	1.53
19	202.95	9.66	1.45
20	213.10	10.15	1.38
Total			47.10

G4. Present Value of World Cup in terms of increased tourist spending at 2.5% growth.

Year	Total tourist revenues (Rbn)	Value of World Cup induced tourist revenues (Rbn)	Present Value of World Cup induced tourist revenues (Rbn)
1	82.32	2.01	2.01
2	84.38	2.06	1.69
3	86.49	2.11	1.56
4	88.65	2.16	1.45
5	90.87	2.22	1.35
6	93.14	2.27	1.25
7	95.47	2.33	1.16
8	97.86	2.39	1.07
9	100.30	2.45	1.00
10	102.81	2.51	0.92
11	105.38	2.57	0.86
12	108.02	2.63	0.79
13	110.72	2.70	0.74
14	113.48	2.77	0.68
15	116.32	2.84	0.63
16	119.23	2.91	0.59
17	122.21	2.98	0.55
18	125.27	3.06	0.51
19	128.40	3.13	0.47
20	131.61	3.21	0.44
Total			19.71

G5. Present Value of World Cup in terms of increased tourist spending at 1% growth.

Year	Total tourist revenues (Rbn)	Value of World Cup induced tourist revenues (Rbn)	Present Value of World Cup induced tourist revenues (Rbn)
1	81.12	0.80	0.80
2	81.93	0.81	0.66
3	82.75	0.82	0.61
4	83.58	0.83	0.56
5	84.41	0.84	0.51
6	85.26	0.84	0.46
7	86.11	0.85	0.42
8	86.97	0.86	0.39
9	87.84	0.87	0.35
10	88.72	0.88	0.32
11	89.61	0.89	0.30
12	90.50	0.90	0.27
13	91.41	0.91	0.25
14	92.32	0.91	0.23
15	93.24	0.92	0.21
16	94.18	0.93	0.19
17	95.12	0.94	0.17
18	96.07	0.95	0.16
19	97.03	0.96	0.14
20	98.00	0.97	0.13
Total			7.13

G6. Present Value of World Cup in terms of increased tourist spending at -1% growth.

Year	Total tourist revenues (Rbn)	Value of World Cup induced tourist revenues (Rbn)	Present Value of World Cup induced tourist revenues (Rbn)
1	79.51	-0.80	-0.80
2	78.72	-0.80	-0.65
3	77.93	-0.79	-0.58
4	77.15	-0.78	-0.52
5	76.38	-0.77	-0.47
6	75.62	-0.76	-0.42
7	74.86	-0.76	-0.38
8	74.11	-0.75	-0.34
9	73.37	-0.74	-0.30
10	72.64	-0.73	-0.27
11	71.91	-0.73	-0.24
12	71.19	-0.72	-0.22
13	70.48	-0.71	-0.19
14	69.77	-0.70	-0.17
15	69.08	-0.70	-0.16
16	68.39	-0.69	-0.14
17	67.70	-0.68	-0.13
18	67.02	-0.68	-0.11
19	66.35	-0.67	-0.10
20	65.69	-0.66	-0.09
Total			-6.28

G7. Present Value of World Cup in terms of increased tourist spending at -2.5% growth.

Year	Total tourist revenues (Rbn)	Value of World Cup induced tourist revenues (Rbn)	Present Value of World Cup induced tourist revenues (Rbn)
1	78.31	-2.01	-2.01
2	76.35	-1.96	-1.60
3	74.44	-1.91	-1.41
4	72.58	-1.86	-1.25
5	70.77	-1.81	-1.10
6	69.00	-1.77	-0.97
7	67.27	-1.72	-0.86
8	65.59	-1.68	-0.76
9	63.95	-1.64	-0.67
10	62.35	-1.60	-0.59
11	60.79	-1.56	-0.52
12	59.27	-1.52	-0.46
13	57.79	-1.48	-0.40
14	56.35	-1.44	-0.36
15	54.94	-1.41	-0.32
16	53.56	-1.37	-0.28
17	52.23	-1.34	-0.25
18	50.92	-1.31	-0.22
19	49.65	-1.27	-0.19
20	48.41	-1.24	-0.17
Total			-14.37

G8. Present Value of World Cup in terms of increased tourist spending at -5% growth.

Year	Total tourist revenues (Rbn)	Value of World Cup induced tourist revenues (Rbn)	Present Value of World Cup induced tourist revenues (Rbn)
1	76.30	-4.02	-4.02
2	72.49	-3.82	-3.12
3	68.86	-3.62	-2.69
4	65.42	-3.44	-2.31
5	62.15	-3.27	-1.99
6	59.04	-3.11	-1.71
7	56.09	-2.95	-1.47
8	53.28	-2.80	-1.26
9	50.62	-2.66	-1.08
10	48.09	-2.53	-0.93
11	45.68	-2.40	-0.80
12	43.40	-2.28	-0.69
13	41.23	-2.17	-0.59
14	39.17	-2.06	-0.51
15	37.21	-1.96	-0.44
16	35.35	-1.86	-0.38
17	33.58	-1.77	-0.32
18	31.90	-1.68	-0.28
19	30.31	-1.60	-0.24
20	28.79	-1.52	-0.21
Total			-25.03

G9. Present Value of World Cup in terms of increased tourist spending at -7.5% growth.

Year	Total tourist revenues (Rbn)	Value of World Cup induced tourist revenues (Rbn)	Present Value of World Cup induced tourist revenues (Rbn)
1	74.29	-6.02	-6.02
2	68.72	-5.57	-4.56
3	63.57	-5.15	-3.82
4	58.80	-4.77	-3.20
5	54.39	-4.41	-2.68
6	50.31	-4.08	-2.24
7	46.54	-3.77	-1.88
8	43.05	-3.49	-1.57
9	39.82	-3.23	-1.31
10	36.83	-2.99	-1.10
11	34.07	-2.76	-0.92
12	31.51	-2.56	-0.77
13	29.15	-2.36	-0.65
14	26.96	-2.19	-0.54
15	24.94	-2.02	-0.45
16	23.07	-1.87	-0.38
17	21.34	-1.73	-0.32
18	19.74	-1.60	-0.27
19	18.26	-1.48	-0.22
20	16.89	-1.37	-0.19
Total			-33.08

G10. Present Value of World Cup in terms of increased tourist spending at -10% growth.

Year	Total tourist revenues (Rbn)	Value of World Cup induced tourist revenues (Rbn)	Present Value of World Cup induced tourist revenues (Rbn)
1	72.28	-8.03	-8.03
2	65.06	-7.23	-5.92
3	58.55	-6.51	-4.82
4	52.70	-5.86	-3.93
5	47.43	-5.27	-3.20
6	42.68	-4.74	-2.61
7	38.41	-4.27	-2.12
8	34.57	-3.84	-1.73
9	31.12	-3.46	-1.41
10	28.00	-3.11	-1.15
11	25.20	-2.80	-0.93
12	22.68	-2.52	-0.76
13	20.42	-2.27	-0.62
14	18.37	-2.04	-0.50
15	16.54	-1.84	-0.41
16	14.88	-1.65	-0.33
17	13.39	-1.49	-0.27
18	12.06	-1.34	-0.22
19	10.85	-1.21	-0.18
20	9.76	-1.08	-0.15
Total			-39.30

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