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OPINION & ANALYSIS

WORLD CUP 2010/Virginia Tilley

Scary economics of the mega event

WHATEVER ire she might have incurred, Cape Town mayor Helen Zille was quite right to insist on getting hard figures for the new Cape Town stadium. And if they are wise, more government officials will soon start asking the same kind of questions about the 2010 World Cup.

Before I get pelted with eggs for saying this, let us agree: the contracts are signed. Every project essential to the 2010 World Cup is going ahead. No fussing or worrying by any politician (or academic like me) is going to change that. So, soccer fans, keep your hats on while we try to look ahead a little more pragmatically. Because SA is likely to face more financial difficulties from the grand event than many people realise — or than Fifa, typically, is signalling.

The sobering truth is that most host cities for "mega events" such as the World Cup, the Rugby World Cup, or the Olympics have lost major money doing so. In fact, it was once assumed that these events were losing propositions. Famously, Mexico City took three decades to pay off its debt for the 1968 Olympics. Montreal and Munich lost more than \$1bn hosting the Olympics in 1972 and 1976. Los Angeles made a profit in 1984, raising hopes that other mega events could also offer financial gains.

But of 13 US cities hosting the 1994 Soccer World Cup, only four netted (modest) profits, while New York City lost \$1bn, San Francisco \$3,5bn and Los Angeles \$3,54bn.

Everyone cites the Barcelona Olympics as the great success story. But even Barcelona saw lasting

economic changes — higher costs for food, transportation, and services — that should worry South Africans.

Why these losses when the benefits seem so promising? A sports mega event, through global media coverage, spruces up a country's global image and enhances its business prestige. Investment in new infrastructure generates a lasting legacy to the city and nation. International visitors return in later years as business or recreational tourists. Lots of businesses — marketing firms, hotels, restaurants, and transportation services — make big profits. And, of course, it's glorious fun for

the fans. But South Africans should beware the dark side. First, the famous infrastructure bonus may not serve host cities so well after the games are over. If not planned correctly, new stadiums might be out of scale or wrongly positioned for public needs (hence worries about the Green Point location in Cape Town).

Worse, new stadiums and highways serving stadiums may divert public funds from improving transportation and other infrastructure needed by larger urban populations. Paying off the event's debt (usually considerable), city governments may even postpone other public projects for years, drawing voter wrath.

Second, "displacement" effects mean that some business sectors will suffer during the World Cup. Shops nearby to stadiums not directly serving fans (such as home-supply

stores and appliance stores) may find customers staying away to avoid the crowds and traffic congestion.

Consumer spending on everything other than the events will drop generally. Especially, businesses in nonhost cities can face significant drops in revenues (hotel occupancies dropped 19% in Brisbane and 17% in Melbourne during the 2000 Olympic Games held in Sydney). International tourists may decide not to come to SA during the World Cup because of the shortage of hotel space and the crowding.

These effects are not always fully reversible, either. In Lillehammer, for example, long-term employment gains after the 1994 Winter Olympics were balanced by comparable drops in other cities. The net contribution to Norway's national growth was nil.

Third, World Cup development

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isn't "propoor". Urban renewal around stadiums may enhance property values, but gentrification and higher rents typically force or leverage poor people out of nearby neighbourhoods (for instance, we might fear forced evictions in the Bertrams and Doornfontein suburbs surrounding Ellis Park stadium in Johannesburg). The employment boom is temporary, yet prices tend to rise permanently on transportation and food.

In SA, the boom is also likely to trigger rural-to-urban labour migration that will swell urban unemployment after the projects are finished. Meanwhile, local multiplier effects are leaked to large national firms, foreign contractors and suppliers, and multinational businesses such as airlines. Indeed, the big winners of sports mega-events are typically their corporate sponsors, travel and hos-

pitality chains, and international organising bodies such as Fifa. Even local sports groups may suffer as the big players draw away funding and political leverage.

But aren't these local costs balanced by the huge benefits to the national economy, promised by promoters? Unfortunately, researchers of the World Cup have never found a statistically significant positive macroeconomic impact on gross domestic product for host countries. Nor does construction of sports facilities correlate with economic growth for host cities. And if 2010 should see a global economic downturn — or, heaven forbid, a security crisis, which impedes international travel — economic returns would dwindle further. (Security costs for the 2010 World Cup are already staggering.)

How can planners maximize chances that the World Cup will generate net gains for SA? Past lessons are clear. Resist the golden promises of promoters urging Pharaonic construction projects. Be sure the stadium and other developments are designed as multipurpose facilities and on a scale that serves the community after the event. See that housing and shopping malls built for the event will serve the long-term needs of neighbouring districts. Minimise evictions of people for the event and don't count on developers' empty promises to house them later. Don't count on ticket sales to compensate for unexpected extra borrowing.

More creatively, 2010 development should engage the entire country. Visitors can be encouraged to visit game parks during their stay, but planners can also try to spread the wealth in the countryside. Spruce up rural roads and create new routes through smaller towns. Provide small communities with incentive grants to create refreshment stations and attractive curio stands to capture trade from passing World Cup tourists, which will enhance local family incomes. This kind of integrated long-term development could help make the World Cup a genuine economic boon to SA, rather than a hard lesson in mistaken enthusiasm.

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