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90th Harold Wolpe Dialogue

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Topic:

WORLD CUP LEGACY REVISITED

Speaker:

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Cape Peninsula University of Technology

The aim of these dialogues is to create a space for open and informed dialogue and debate around key local and global political, social and economic issues facing South Africa.

Harold Wolpe Lecture 22 July 2010

World Cup Legacy Revisited

Prof Kamilla Swart

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Prof Swart's research interests include sport and event tourism, with a specific focus on the 2010 FIFA World Cup™ and event policies, strategies and evaluations. She is the author of *Sport Tourism* and several journal articles related to sport and tourism. She was recently awarded the inaugural Black Business Quarterly *Research and Development Award 2009*.

LECTURE INTRODUCTION

Thank you to everyone for coming today. It would be great if you would add in your suggestions for future Wolpe lectures.

Tonight we are looking at the '2010 World Legacy Revisited.' We are calling it 'Revisited' in light of Dale McKinley's lecture before the World Cup where he looked at the implications of the World Cup for South Africa. So, it is quite interesting to come back to look at these issues once again. Some of you may have seen last week's *Mail & Guardian* which had an article by Richard Calland, in which he says that the World Cup, akin to 1994, has broken the mold in some way, shaken the sinews of the muscles that contort this society to breaking point and in so doing, changed the way that we relate to one another. And so, the political question is will the rich behave differently to the poor, has something fundamentally changed.

We know that the World Cup cost billions of Rands to put together but we know that it also brought in money and contributed towards building city infrastructure. And there has been much talk on what the games brought, the camaraderie, the unity, the fan walk which inspired people to walk through the city which many people had not done before (and we remember that one day when there were 300 000 people on the fan walk, most of whom did not have tickets). But there has also been a lot of talk about poverty and inequality which remain and are growing in our country. So, what is the legacy? Is Sebb Blatter (who I cannot stand) right, when he stated in the official brochure of the World Cup, that FIFA has helped in the alleviation of poverty or, is FIFA there as a money-making project, as Dale McKinley stated in our previous lecture on this topic? Dale said that the World Cup would exacerbate racial and class tension and there is no legacy at the grassroots level because FIFA World Cup events are really driven by an economic model which is solely profit based. So, FIFA has walked away with R20 billion profits. I recently visited an informal settlement in Grassy Park during the World Cup, and the people, or at least one of the people that I was interviewing made a comment, who said 'what is the World Cup doing for me?' Here are these families who are living in shacks and are threatened with forced removal because they are on un-proclaimed land which the city wants back, they have one outside portable toilet for several families. They have outside taps also shared by many. When I was there doing my research by interviewing them, it may have been a very warm sunny day, but inside the shack it was freezing cold. These families have no access to electricity and are using candles at night costing R13 a packet for one night, which is a lot of money in relation to their overall income. Will the euphoria, and I had great fun during the world cup, but will this euphoria bring change, will the legacy beyond the very expensive stadia which are sitting in our cities as the proverbial white elephants, or will

there be something different as Zuma has said because we managed to prove a number of journalists wrong, we succeeded in creating a very successful event. Can we now deliver on the services that are so in need throughout the country?

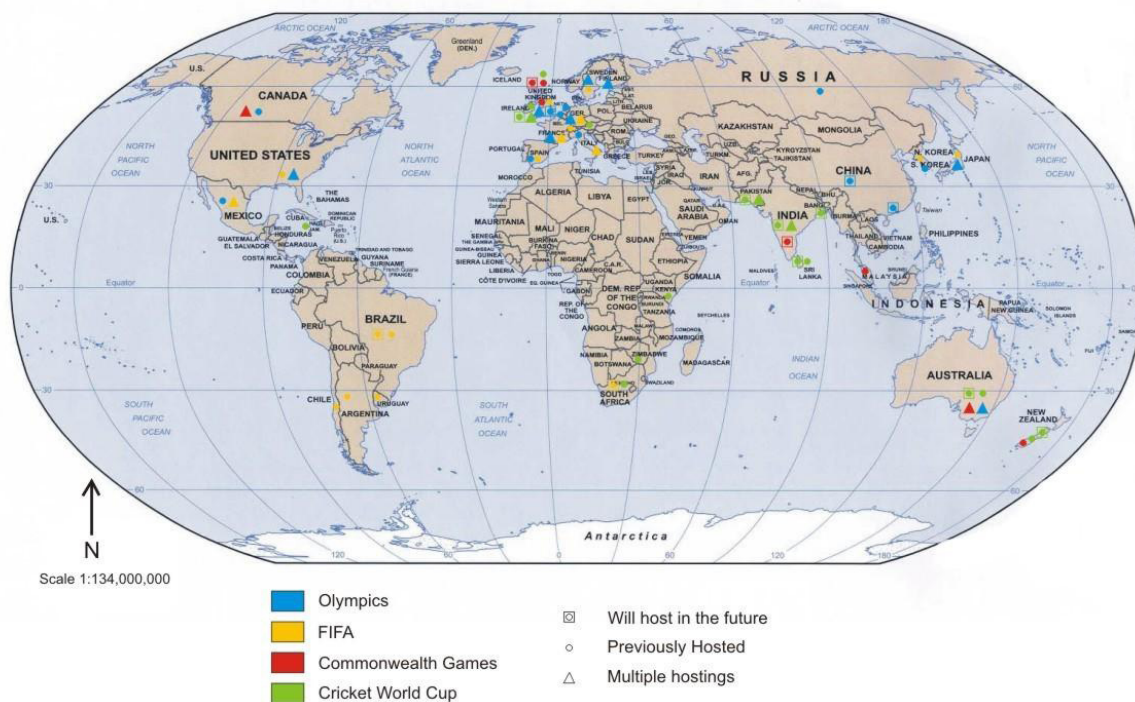
So, with that in mind, it gives me great pleasure to introduce to you Professor Kamilla Swart. Kamilla is an associate professor in the Faculty of Business and heads the Centre for Tourism Research in Africa at Cape Peninsula University of Technology. Her research areas include sport and tourism with a specific focus on the 2010 World Cup. She has consulted broadly in the area of event tourism research and has been appointed by the City of Cape Town as Research Coordinator 2010. She has won various awards and scholarships including the Inaugural Black Business Quarterly Research and Development Award 2009. So, welcome and we really look forward to hearing from you.

Kamilla Swart:

I would like to take this opportunity to the Wolpe Trust for giving me this chance tonight. As you know, I am very passionate about this topic but, I am not going to provide the answers to the questions previously raised, rather, I will probably just add to them.

I am going to start with some kind of context to the events and then look at why we bid for this event which will help us to reflect on the 2010 Research Agenda which I have been driving with the City of Cape Town and other host cities in order to try and answer some of these questions.

The map is illustrating that the history of the hosting of mega events, it has been focused primarily on developed countries. It is only in recent years that we have seen an increasing interest by developing countries to host mega events. It is very obvious to see the concentration of these events in Europe, but this is starting to change and with the 2008 Olympic games in Beijing, there are countries on the semi-periphery that are trying to get their moment in the spotlight. We see South Africa also wanting to jump on the mega-event circuit. We have become obsessed with hosting mega-events and the question is why. We went through a failed 2004 Olympic Bid and a failed 2006 World Cup bid, eventually getting the 2010 Fifa World Cup.



With the FIFA World Cup never having been hosted in Africa, FIFA has changed its rotation system. This is an acknowledgement that Africa, as a world player, had still not been offered a World Cup. With the Olympic Games, we now have Rio 2016, it is going to South America.

Why do we, as South Africa, do this (as in bid for mega sporting events)?

We see it in terms of nation-building, whether one is critical of it or not. It is meant to change our relations with each other. But, we got caught up in the moment with the World Cup. We saw the same kind of nation building with the Rugby World Cup (Mandela in the Springbok Jersey picture). I still find it difficult to embrace that Springbok Emblem due to its associations with Apartheid, yet, when I look at my daughter, who has grown up in a new era, I have no problem with her wearing it, but it is difficult for me considering the sporting background that I have come from. So, we see sport breaking down barriers. These events are also about positioning on the global stage. How we leverage those opportunities then becomes important. South Africa has become caught up in using these events in using these events to pursue its development agenda.

The question remains: How do we balance these two objectives of meeting the international sport federation requirements and at the same time, our own developmental agenda? If we reflect on the 2010 bid and at that time, President Mbeki, in his presentations to Sebb Blatter, was positioning this event as one for the African continent as a whole. We need to reflect on some of the objectives of the World Cup and whether they were achieved or did we all get caught up in the 'Waka Waka'?

It is interesting to note that up until recently, the bid book was not in the public domain. But, if we are going to undertake these events on the back of administrative meetings, why was it not transparent, why was it

not publicly available? When I started with the 2010 Research Agenda, that bid book was not in the public domain, it was not until recently that it emerged.

FIFA's Requirements for compliance with a successful World Cup that the South African government needed to underwrite:

World class event

- Infrastructure provisions
- World Cup stadia
- Transport
- Safety and security

Other requirements

- Ticket sales
- Broadcasting rights
- Sponsorships
- Merchandising

To counter-balance those, here are the 'legacy' requirements, but essentially, it is about how we use this platform to further our objectives as a nation.

Strengthening South African & African image:

- Economic benefits
- Football development
- Skills development
- Nation-building & transformation
- Social
- Arts and culture
- Promoting strategic partnerships
- Sustainable environment

The two key criteria of any host nation are economic development and raising the profile of the country. In addition, there are the softer legacies like skills development and promoting strategic partnerships.

I think that we can say that one of the key reasons why we bid was because the focus was going to be on South Africa by putting us on centre stage. The eyes of the world were going to be on us if it was via visitors, television or the media and then the development of new media which has had a different focus. We needed to show the world that Africa and South Africa can deliver on the requirements put to them.

I use the definition as per Preuss (2007). 'Legacies' are not necessarily positive and good, neither are they planned (like the way that the world took to the *vuvuzela*). So, it is important to look at the good and the bad. Legacy is "irrespective of the time of production and space, legacy is all planned and unplanned, positive and negative, tangible and intangible structures created for and by a sport event that remain longer than the event itself."

But, a lot of the benefits of the World Cup were hard to measure. How do you put a value on that sense of pride, that sense of nationalism and social cohesion? Since it is often too difficult to quantify, this measure sometimes gets left behind in comparison to the hard economic data. Nevertheless, we have seen with the World Cup, a lot of the benefits could be considered as these intangible effects. But, the important parts of

this legacy, is that it is about what remains longer than itself. How will this legacy play out in the next couple of years?

I have started to look at this event from the economic perspective.

A huge amount of public subsidies are required to allow for these events. Without government support, these events will not happen. Hence, it makes economic impacts so important. But we see forecasting studies inflating the economic impact and consultants being requested to give positive and glowing reports as to why we need to host an event.

How does it add value? It attracts consumer spending. So, what we see happening, when we look at the ex ante studies, there is a significant difference as to what was forecasted in time of bidding for the event and the actual spend that took place. There were external economic factors, but even taking those into account, we can still see the same challenge whether we are sitting in South Africa or anywhere else in the world. There is a huge discrepancy as to what the expected economic benefit was meant to be and what we ended up paying for.

Since the public expenditure of this event required government spending, the efficacy thereof depends on how effective it is at inducing a specific kind of consumer spending through the visitors.

Government investment in 2010

INFRASTRUCTURE INVESTMENT

Transport & supporting infrastructure (ICT)	R9 billion
Stadia	R8.4 billion

NON-INFRASTRUCTURE

Sport & recreation	R379 million
Arts & culture	R150 million
Safety & security	R666 million
Health	R286 million

But, this is national spend and does not include what the provincial expenditure is.

Here is the data from the Grant Thornton costing study:

Grant Thornton	2003	2008 (2010)
<u>Benefits (income)</u>		
Contribution to GDP	R21.4bn	R55bn (R93bn)
➤ stadium & infrastructure upgrade		➤ R33bn
➤ sale of match tickets		➤ R6bn
➤ trip spend by spectators		➤ R8bn
➤ sponsorship		➤ R750m
Additional tax income	R7.2bn	R19bn
<u>Costs</u>		
Upgrade of stadiums and infrastructure	R2.3bn	R33bn
<u>Other impacts</u>		
New employment	159 000	415 000
Foreign (overseas) tourist arrivals	235 000	480 000 (373 000)
African tourists	45 300	150 000 (96 000)
Tourism receipts		R8.5bn (R8.8bn)
International media	10 500	18 000

Some of the infrastructure changed which added additional costs. Note in particular the increased spending on the stadia. We noted how the figures for international arrivals changed over time, starting initially at 500 000 then it got whittled down to 450 000 and then 350 000. But, Grant Thornton went from 480 000 in 2008 to 373 000 in 2010. They vary by about 200 000 people.

The main benefit has been in terms of ticket sales, and specifically, unexpectedly, in South America, which are new markets to South Africa. We had 3 million tickets sold but only 2% of that was on the African continent, which is problematic if we were trying to position this as an African continent event. The fan parks worked wonderfully and were a great aspect of the World Cup with about 2 million people in attendance throughout the Cup. The important thing about tourism is that the benefits are very location specific - to what extent were these benefits shared equitably amongst the majority of our population (and even within the cities themselves). The hospitality was mainly focused in Gauteng because that is where the base camps were situated and it is interesting to note that in relation to the sponsorships that we had smaller hospitality programs in South Africa in comparison to Germany 2006.

In survey done by 'African Response' they looked at 700 responses of international visitors and their figures showed that half of them stayed for between 2-4 weeks and the majority of them would recommend South Africa and would return. And this is one of the benefits of the World Cup. It is getting people here who would probably not have come here before.

Tourism

- **Attendance at live matches (94%)**
 - 37% attended more than 5 matches
- **About half stayed for 2-4 weeks**
- **92% recommend South Africa and 96% would return**
- **Beaches most popular (62%), Table Mountain (54%), townships (32%), Winelands (27%)**
- **Perception and experience of stadium (87%)**
- **Policing and security at games (73%) and perceptions of safety (67%)**
- **Areas of improvement – public transport and nightlife**

What is interesting about the spending below is that Canada was in 9th place and they did not even have a team. This is the global reach of the World Cup.

Tourism

- **Spending on Visa-branded payment cards exceeded R1,33bn**
 - up 65% from R810m during same period last year
- **Travel purchases: airfare, hotel, car rental and restaurants**
- **Biggest spenders: UK, USA, Australia, France and Brazil**
 - 51% of all spending
- **Mexico (8) and Canada (9)**

Source: Octagon

As for local marketing of the event to feel a part of it, I think that this was really missing. That at least was my perception and I felt that more in Cape Town and maybe that had something to do with the Confederation Cup because we were not involved in it, just talking about my experiences of travelling in Johannesburg at that time.

So, the question is, whose job is it to market the World Cup?

From a tourism perspective, we as a destination failed to leverage off the sponsorship spend, as Sydney did for the Olympics to market their destination.

Nation branding – there is a study being done at the moment about the perceptions of South Africa. We had a weak or incorrect image and we needed a big event to help shift that internationally. It goes back to bringing people here for that experience. We may have achieved that to an extent.

“Whatever the result of the match tonight, one thing is certain, England has never played in a more beautiful setting” BBC News

This is the kind of image/profile perspective; I think that there were positives.

There was a major take-up of social and alternative media like Twitter.

Merchandising

- Vuvuzela sales increased from **20,000 a month to 20,000 a day!**
- Up to **70%** of patented vuvuzelas being **sold internationally BUT 90% made in China**
- Insufficient opportunities for local business in early negotiations with FIFA
- **Cape Craft Design Institute**

The world’s fascination with the *vuvuzela* was really a feature of the World Cup. But, this was another missed opportunity, since the majority of these ended up being made in China. And I think that one of the challenges is that we needed to negotiate more upfront with FIFA to ensure that there are opportunities for local business. The Cape Craft Design Institute was the only stadium that featured local talent. It made about R600 000 in profits.

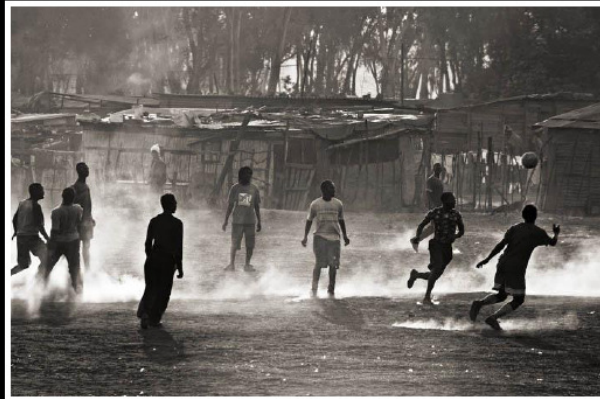
Yes, it was great to wear the *Bafana Bafana* jersey and to be South African but I picked up this article which spoke about the patriotism that we all feel on the one hand in comparison to the real burden involved in building our country into one nation. It goes back to this question about what the challenges are about building a nation out of the challenges that we face in our society.

What about football?

Soccer

- 2007 sponsors of soccer spent R1 billion on rights
 - More than 30% of total sponsorship market
- Year on year spend on soccer increased by **60%** in 2007 but all other sports combined increased by **less 10%**
- BUT negative outflows – sponsorship spend to FIFA equates to **US\$200m**

Source: BMI 2010



Some may argue that it was an elite sport that did not get to grassroots level. There has been an overall increase in the sponsorship market in by 30%. The impact that this has on other sports as money flows away from them. And then we need to keep in mind the massive sponsorships that go to FIFA itself. We should also be genuinely concerned about how the money that has been given to the South African Football Association (SAFA) is going to be used over the next few years.

I need to congratulate the City and specifically Carol who works for the City (of Cape Town). But, what is evident is that by working on this is that there has been no attempt to systematically track the impact of the World Cup despite the billions that were spent on it by government. So, you plough all of this money into this event to generate these 'legacy' outcomes and then you do not even allocate 1% of the budget for assessment. A lot of the impact assessment is anecdotal and there is no uniform/consistent method of how to do the assessment so there are different forms being used throughout the different cities in South Africa. Hence, it is very difficult to get a consistent national picture of what the actual impact was. We made some attempts to look at the impact over the 5 host cities and the impact that it has had on these cities and then to compare this study with Germany 2006 and then we are going to take that forward to Brazil in 2014.

So the City has done a wonderful job of looking at visitor impacts but also looking at the impact pre and post so that we can get some kind of baseline. These were conducted by the city to see how the perceptions and attitudes have changed or remained the same.

The research done needs to be very specific because how do we assess who these 200 000 visitors were and whether they actually came for the World Cup or whether they were coming anyway – did they change the time of their trip to be in South Africa over this period? That is why we need to take a 'bottom up approach' (from surveys) rather than a 'top-down' one.

All indications are from the City of Cape Town are that they did not really get the occupancy levels that they thought that they were going to get and that possibly relates to these lower visitor number that I referred to previously.

So, in conclusion, it still remains early days for assessment and the full picture will emerge over the next few months. It did go a long way to changing perceptions of South Africa, but at what cost did we go ahead with this project over others that we could have chosen. It is in the same vein that we should have a certain degree of caution in our next bid to host the Olympics. We don't even have the results yet from this World Cup and yet, already, we are already making a new bid. The Olympics presents a totally different set of challenges – 28 sports over a 2 week period in one host city compared to a World Cup with 9 host cities over the period of a month. What is important is the capturing of knowledge of our experiences – I saw it with the 2004 bid where we did not leverage those opportunities from a knowledge management perspective and I think that it is important for the city to continue to take the learning that we have had over this period and close out reports and to use this for the future planning of mega events. We also need to use this information to transfer knowledge both in our context in South Africa and for other developing countries as well. What we need are long term, longitudinal studies to achieve this objective.

QUESTIONS:

1. Black Sash: I think that there has been a central question of the World Cup on how the poor has benefitted. I liked your point around linking the soccer with the development agenda. How did the World Cup integrate the huge informal sector that we have in our country? I think that we failed on this score. My second question is: have you done the audit of who are the business beneficiaries who have benefitted from this world cup – pre, during and post world cup?

Kamilla

The event cannot solve all of our problems but it can go a long way in furthering the development agenda. We can see this as per the Olympic Games. But, how do we translate this? But, the transport and infrastructure changes that have occurred in Cape Town are a part of addressing and assisting poor people.

The ‘beneficiaries’ is an interesting one as to the transparency. The biggest beneficiaries would make for an interesting perspective on all levels – from the massive corporate to the SMME’s.

2. I am a rate payer. I don’t get a sense that there is a massive financial hangover from the world cup. If it cost more than 10 fold in 2003, and that amount has skyrocketed, how on earth are we going to pay for this now?

Kamilla

Who is going to pay for this? The budgets that went to this were coupled with national and provincial government.

3. In light of FIFA’s exorbitant requirements to the SA government (like tax free profits), do you think that the SA government should have stood up to FIFA to protect its interests?

Kamilla

This is a very difficult balancing act. I think a definite ‘yes’. This is especially in comparison to the Sydney Olympics and how they stood up to the Olympic Committee. The Sydney Olympics managed to change the way that the Committee thought about how to share the benefits to not just Sydney but Australia as a whole, which was different to FIFA and the South African government.

4. I am doing my PHD on how the FIFA World Cup impacts on host countries. FIFA does benefit because they have more economic power. If host countries do not fulfill FIFA's requirements, FIFA just chooses a different host. So, governments always settle. The only event that was seen to actually make money was the 1984 Los Angeles Olympics and that is only because they refused to on any financial obligations after the Montreal games went into debt for 20 years.

Kamilla

I think that you are correct in that there are so many competing countries bidding for the World Cup those countries will go to any lengths to please FIFA. But, this is a important consideration when making the bid.

5. Who decides that we bid for these international events in our country? There is no democracy about it, government just decides. My question is should there be a referendum on this before government takes this decision?

Kamilla

These decisions are made by the political and economic elite. And Montreal is a good example because increasingly we are going to see many of these kinds of decisions going to a referendum or a more broad consultation process. I think that we will see more of that in future bids.

6. Amongst all of this euphoria there is a lot of pessimism. Everyone keeps saying that we did not take maximum advantage of it. We have commented already that it did not have a major effect on the poor but how has it made them worse off? People need to look at these numbers and they seem huge, but what about the R8 billion that government is just about to spend upgrading hospitals? These governments are actually quite small.

Kamilla

I would agree with you in that what we have seen with the World Cup in that we had to deliver through time frames and objectives and we did it. So, all spheres of government can work together to get things done. But, do we need an external actor to achieve this?

7. The benefits on for our country in terms of nation building but it has taken a lot of money out of the public purse, in total, about R180 billion if we take into account all of the upgrades. We spent on stadiums instead of on health care and education, which are going to suffer in the short term. We are asking the poorest section of society to wait for the benefits of the World Cup. There may be tourism benefits that come as a result but this is unquantifiable at this stage. My question is how do we check with poor communities what they think of the World Cup? The *gees* happened in 1994 and 1995 and then the policies that were put in place made our country more unequal. In the research, what has the attitude of poor communities been given that they have been asked to wait for delivery?

Kamilla

This goes back to political will. If we can do it for the World Cup, then surely we can do it for all of our other political challenges.

There is very little work that has been done in poor sections of South Africa, other than a study carried out in Joe Slovo informal settlement.

(Peta) As the chair, I want to add that your slide around employment of 400 000 included contract work for the construction of the stadiums, which has since ceased.

8. The 'Legacy' you have covered the 'FIFA legacy'. But, what about the 'SAFA legacy'? Are you privy to what went through SAFA's domestic and international accounts and how do we check on the extent to which that money is being used to develop soccer at a grassroots level and youth development? How do we make sure that the political infighting within SAFA does not pull South African soccer down with it?

Kamilla

I am not privy to any of the figures and there are big questions about how the R1 billion is going to be spent. But certainly, Parliament is keeping a close watch on that.

The Dani Jordaan versus Irvin Khoza camp is an important point and has the potential to be extremely damaging as it is a divisive force in terms of football development. I don't know how this is going to play itself out.

9. A study done on the middle class in 1996, white people represented between 82%-85% while the black population had around 12% defined as middle class. The middle class was defined as someone who has a formal house, has electricity, a telephone and running water. Does the legacy increase the size of the middle class? So, no, I don't think that we should ever host another event because then the taxpayer has to pay for it.
10. What kind of development do we really need? Do we need it for mega events or do we need it for proper schools, to have decent facilities at proper schools, have libraries, have those kinds of developments.

Kamilla

If we can do this for the World Cup, we can do it for other areas. I have done some work on informal traders who were removed from the Greenpoint area to allow for the stadium and another location in Greenpoint. We are now doing pre and post informal research with the traders to gauge their progress.

The World Cup did generate a number of important soccer development programs but the question is what will happen once the spotlight is off South Africa to ensure that these programs are sustainable.

11. The pre-World Cup image of South Africa was tarnished by doubts as to whether South Africa would be able to deliver in time and would be able to secure security. This image has totally changed after the World Cup and this kind of effect cannot be underestimated. It will in the long run contribute to the increase in tourism and financial and long term investment which will create new jobs. That is something much more important than whether an extra R100 million was spent. Secondly, it became clear that different spheres of government had never worked together before or not to the extent that they did for the World Cup and it gave off the impression that it was important for them and they will continue to work together. This is also an important legacy. Many of the other speakers asked what kind of benefit there was for young people in the townships. I want only to mention a few examples from Germany. We are providing about 150 soccer pitches for rural communities. We are going to use it as a means to train them for soccer but also for life style skills with social workers.

Kamilla

SA Tourism was given a massive boost by the free advertising with the value that was given by hosting. That is why it is important to look at these impacts in the long term. The value in hosting is not necessarily in economics but in the intangibles.

12. We recognized that policing was good during the World Cup and the crooks even behaved themselves. So if we could do that then, why can do that now? The question is when are we going to start investing in our people? This is something that is missing at the moment.

Kamilla

We need to invest in these resources not just around the World Cup but continuously. I heard someone saying to me 'bring on the Olympics, it is the only time we get things done' – it is this kind of political will that we need to address our political challenges.

13. Pre World Cup and during the World Cup we learnt great lessons and the work ethic of the country improved. When we saw the building of the *King Shaka* airport in Durban they had been talking about it before for 40 years, but then completed it within 15 months. During the World Cup we saw our justice system improving greatly. People were arrested at 8 am and then their court cases were sorted out by the end of the day. Cant we as a country learn from this lesson? Secondly, the 450 000 jobs that you were talking about, the government spent money in training some of those people. Were there any provisions made to ensure that those people were going to be absorbed by the job market.

Kamilla

I agree that while a significant amount of jobs created were in the construction industry; don't forget that we have gained in our ability to manage large scale projects. The issue is how do we continue to use these skills that we have garnered from this process.