

6 Public loss, FIFA's gain

How Cape Town got its 'white elephant'

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Fast facts: three stadia, one winner

- The Green Point Stadium cost approximately R4,5 billion to build.
- It is host to one of the two semi-final games of the 2010 World Cup.
- It has a capacity of 70 000.

Table 1: Newlands, Athlone and Green Point stadia compared

	Newlands Stadium: early favourite	Athlone Stadium: worthy contender	Green Point Stadium: winner
Location	Newlands Stadium lies in the heart of the genteel, leafy Southern Suburbs on the slopes of Table Mountain	Athlone Stadium is on Klipfontein Road in Athlone, a Cape Flats suburb with a proud anti-apartheid history	Green Point Stadium nestles between Signal Hill and Table Bay on Green Point Common; near the city centre and touristy V&A Waterfront
Demography¹	Historically white, affluent (3% unemployed, 7% poor, monthly individual income R18 893)	Historically coloured, working class (18% unemployed, 22% poor, monthly individual income R4 718)	Cosmopolitan, affluent (6% unemployed, 12% poor, monthly individual income R16 478)
Key backers	Originally South African Football Association (SAFA), bid committee and FIFA	City of Cape Town, Western Cape Province	Sepp Blatter, FIFA, Local Organising Committee (LOC), the Presidency
In favour	A century of sporting tradition; existing stadium needing relatively minor upgrade; lowest cost solution	Developmental value (would trigger public sector spending in underdeveloped area), legacy value ('home of soccer' in proximity to soccer fan base)	Prime location from tourist and broadcast visuals perspective; 68 000-seat capacity earns city the right to host a World Cup semi-final
Against	No legacy for soccer (a rugby stadium, removed from soccer fan base); no development imperative (established, well-off suburb)	Stadium orientation and seating layout not ideal from broadcast and ticket revenue perspective	R4,5 billion price tag; highly uncertain viability – may be a white elephant

Source: Compiled by authors based on their observations and opinions of publicly available information.

INTRODUCTION

It was FIFA president Sepp Blatter’s first visit to the Mother City, but he knew exactly what he wanted from her.

When Ebrahim Rasool, then premier of the Western Cape, went to see Blatter at the five-star Arabella Sheraton Hotel on 22 November 2005, the visitor complimented Cape Town’s ‘spectacular scenery’, saying the city could be the ‘face’ of 2010 and host one of two semi-final matches. He came to the point:

the city's match venue should be at a brand new Green Point Stadium and not at Newlands Stadium as envisaged when South Africa won the bid to host the 2010 FIFA World Cup 18 months earlier, or Athlone Stadium, favoured by the province and the City of Cape Town (the City) for its developmental potential.

Later that day Blatter met with Thabo Mbeki. What the FIFA president and the country's then president discussed can be inferred from a call Rasool received the next day. Laurine Platzky, the provincial official heading 2010 co-ordination, detailed the events above in an affidavit during a later court dispute over environmental approval for the new stadium. She continued:

On 23 November 2005 the minister in the presidency Mr Essop Pahad telephoned the premier and said that the presidency felt that Cape Town should consider ... Green Point.²

These events, confirmed by Rasool in an affidavit,³ represent the tipping point in a decision set to burden the nation with billions of rands in direct costs that are arguably excessive, and Cape Town with the maintenance of a white elephant for years to come.

This chapter examines the decision-making process that led to this outcome, providing the factual basis for an argument that national government was structurally conflicted. Instead of it remaining the neutral arbiter of competing interests, including those of FIFA, in the public interest, FIFA's interests effectively became those of government.

It is not argued that it was wrong to turn the World Cup into a national priority. But South Africa's interest in staging a successful event and FIFA's interests are not necessarily synonymous. Had government retained more independence, an outcome far less burdensome may have been achieved.

THE UNBEARABLE LIGHTNESS OF DECISION MAKING

After Germany's surprise defeat of South Africa to host the 2006 World Cup, FIFA decided Africa would host the next event.⁴ SAFA, a FIFA member association, bid again. It commissioned a voluminous bid book to demonstrate the country's capacity to host the mega-event and convey government guarantees relating to infrastructure, security and the protection of FIFA's commercial rights.⁵

While large claims have been made about benefits flowing from tourism and investment, the bid book grossly underestimated the level of state expenditure required. Total expenses were put at \$405,5 million (about R3 billion at the time), including \$158,5 million (about R1,2 billion) for stadia and related infrastructure upgrades.⁶ The latter figure was a fraction of the R4,51 billion that was eventually spent on only one new stadium: Green Point.⁷

Newlands it is

Be that as it may, the bid book proposed Newlands Stadium, a stately old rugby stadium, as the Cape Town match venue, saying its hundred-year history was ‘perfect preparation for the challenge of hosting first and second round matches in the 2010 FIFA World Cup’.⁸ Cape Town was not to stage any match beyond a quarter-final. FIFA required a quarter-final stadium to have a 40 000 spectator capacity and a semi-final stadium a capacity of 60 000, both excluding VIP and media seats.⁹ Newlands, the bid book said, had a capacity of 40 000.¹⁰

Prospective host countries presented their bids to FIFA in Zurich on 30 September 2003.¹¹ A FIFA inspection group visited South Africa a month later, finding that Newlands would ‘easily be suitable’ if the World Cup ‘were to start on the date of submission of this report’.¹²

The FIFA executive voted on 15 May 2004 to award the 2010 World Cup to South Africa.¹³ Newlands was to be the Cape Town venue. But this flew in the face of a programme of the City and the province to upgrade Athlone Stadium as the ‘home of soccer’ in the city and as a prospective World Cup venue.

Athlone Stadium, an existing city-owned football stadium, is located in the historically coloured, working-class suburb of the same name. Athlone is on the Cape Flats, from where the sport derives much of its local support base.

And indeed, it was at Athlone that South Africa’s bid had been officially launched a year before FIFA’s vote, when the stadium hosted Bafana Bafana playing Jamaica on 30 April 2003. The Western Cape’s then sport and recreation MEC, Patrick McKenzie, said in a budget speech after the launch:

We want to establish Cape Town and especially Athlone as soccer city. We are currently in phase one of four phases ... to complete the Athlone Stadium to be ready for the World Cup in 2010.¹⁴

The investment was significant: the upgrade McKenzie referred to was ultimately allocated R200 million, according to the stadium architects.¹⁵

Gert Bam, the City's director of sport and recreation, confirms the early commitment to Athlone. Before the bid, he says, there was extensive consultation

around where we should have the base for soccer and have an international venue ... and everybody agreed that it should be Athlone Stadium. And hence we pumped our money into Athlone Stadium.¹⁶

The opportunity to leverage development of an underdeveloped area – and to do so consistently with the City's integrated development planning – supported the preference, he says. City development priorities included the Klipfontein Corridor, which links the city with the sprawling, impoverished township of Khayelitsha, and upgrading the informal settlements on the N2 freeway. Athlone Stadium abuts Klipfontein Road near these settlements.

Says Bam:

Why we chose Athlone Stadium [was] not just because of football and that, but it would turn the city around, it [would] impact on this tale of two cities.¹⁷

Athlone it is

In the months after FIFA awarded the bid to South Africa, Athlone became the formally preferred 2010 venue of the City and the province.

Mike Marsden, the City official responsible for 2010, confirms in an affidavit also lodged in the environmental dispute:

In the period June to December 2004, agreement was reached between the City and province in respect of Athlone Stadium being proposed as the main venue for Cape Town to host a quarter-final match ... The design was further developed so that it could accommodate 45 000 seated spectators for the purpose of hosting World Cup matches.¹⁸

Marsden says host cities were told that FIFA had agreed to approve proposed stadia early to avoid 'wasteful expenditure on infrastructure that might not meet

FIFA's requirements'.¹⁹ FIFA sent a technical delegation in July 2005. It visited Newlands 'because it was in the bid book' but was then taken to Athlone. 'The then City manager [Wallace Mgoqi] made a presentation which indicated a preference for Athlone.'²⁰ The FIFA delegation 'indicated that a process would need to be undertaken in order to change the venue from Newlands to Athlone'.²¹

While FIFA was the ultimate arbiter of stadium acceptability, a key intermediary was the LOC, who were effectively FIFA's agent.

FIFA's regulations for the 2010 World Cup state that SAFA is contractually responsible for 'organising, hosting and staging the final competition'.²² SAFA, in turn, set up the LOC to carry out this mandate. Collectively, SAFA and the LOC are the 'organising association'. The FIFA regulations leave no doubt who is in charge:

The organising association is subject to the supervision and control of FIFA, which has the last word on all matters relevant to the 2010 FIFA World Cup. The decisions of FIFA are final.²³

From the start, the LOC's board has included directors representing SAFA, business and labour, but also members of the government executive in their official capacities: the ministers of safety and security, communication, transport, sport and recreation, provincial and local government; the minister in the office of the president; and the deputy minister of finance.²⁴

Although LOC CEO Danny Jordaan states in his affidavit in the environmental matter that the rationale for this 'inclusive approach' was 'to ensure that there is a co-ordinated effort in the preparation for and implementation' of the tournament, it also gave rise to the anomalous situation of cabinet ministers being part of a body 'subject to the supervision and control of FIFA'.²⁵

This arguably led to an abdication of sovereignty and created a structural conflict of interest. FIFA generates its revenue largely from the sale of broadcasting, marketing, hospitality and licensing rights,²⁶ while the LOC, as will be seen, derives much of its budget from ticket sales. FIFA and the LOC's financial interests are served by having access to state-of-the-art stadia in the 'best' locations to draw the maximum number of visitors and viewers. What happens after the tournament has no direct impact on their finances.

Government, on the other hand, should take the long view, weighing up the costs and benefits, considering factors such as post-World Cup sustainability

of new infrastructure and whether wider development priorities are served. Billions of rands of public money are spent.²⁷

The LOC was uncomfortable with Athlone for reasons consistent with its FIFA mandate. Jordaan states unambiguously:

It appeared to the LOC that the proposal to use the Athlone Stadium arose in the context of a desire to ensure certain social improvements for Cape Town as a legacy from the 2010 championship ... By contrast, the critical question for the LOC has always been whether the proposed stadia meet the FIFA requirements. It is that consideration which has informed the LOC's selection of the host cities and match venues.²⁸

After City manager Mgoqi had presented Athlone as the preferred venue to the FIFA technical delegation in July 2005, Jordaan balked. This appears from a letter Rasool sent Jordaan the following month. Rasool wrote:

It is clear from what I am able to gather that there is some form of miscommunication between ourselves and the Local Organising Committee. The province and the City of Cape Town have always felt that the development of a dedicated football stadium in Athlone will leave a lasting legacy for generations to come. In addition, the building of the stadium will allow us to leverage much needed transport and other socio-economic developments in the surrounding area ... We are expressing a strong preference in this regard.²⁹

FIFA was to send a follow-up delegation in October 2005. In preparation, there were meetings involving the City, province and the LOC.

On 5 September Rasool and then Cape Town mayor Nomaindia Mfeketo met with Jordaan. Rasool was subsequently minuted as saying Jordaan had told them that:

there is general support amongst the LOC, but that they did not think that we had presented the case for Athlone well enough.³⁰

Jordaan, he said, had also conveyed an implicit threat: FIFA was considering

allocating five matches to Cape Town ... definitely a downgrading of the status of Cape Town ... FIFA felt that even after upgrading Athlone to a 45 000-seater, most of the seats would be behind the post and that has less value in terms of ticket sales.³¹

On 30 September, members of the provincial cabinet and Cape Town's mayoral committee met. The minutes reflect Rasool saying the purpose was 'to address some of the concerns raised' at the meeting with Jordaan, and that the 'case for Athlone will have to be made'.³² Rasool also said Newlands would not be a preferred fallback venue: 'Green Point as a possible venue was mentioned by some of the FIFA members on their [previous] visit'.³³

The meeting resolved that Athlone remain the preferred option 'given the developmental impact it will have' and ordered the preparation of a 'business case for Athlone that speaks to the criteria and requirements of FIFA'. It also ordered that a 'plan B' – Green Point – be investigated, with Newlands 'as our last option'.³⁴ And so, while the focus was on Athlone, Green Point quietly overtook Newlands, which already had FIFA's thumbs-up.

Barry Standish of the University of Cape Town's Graduate School of Business was hurriedly commissioned to investigate 'plan B'. It was to be ready for a meeting ten days later with the LOC.³⁵ Standish warned that his work 'was done in a very short space of time without input from Newlands', among other constraints,³⁶ but it helped bury Newlands.

Standish compared upgrading Newlands or Athlone to 45 000 seats, or building a new stadium at Green Point. He found that Newlands would be the 'least-cost alternative' at R177 million, compared with R482 million for Athlone and R702 million or R946 million for Green Point (depending on whether the latter would have 45 000 or 60 000 seats). But, he said, Newlands would be the 'least desirable' after weighing estimated tourist revenue, contribution to GDP and job creation, and 'social/regeneration' value.³⁷

Standish may be criticised *inter alia* for his huge underestimation of construction costs and the inexplicably low tourism benefit he accorded Newlands: R724 million as against R3,72 billion to R5,02 billion for Athlone and Green Point.³⁸

On 10 October 2005, a provincial and City delegation headed by Rasool and Mfeketo met with the LOC to finalise the stadium preference to present to FIFA during its impending visit. LOC members present included Jordaan, chair Irvin Khoza, then minister in the presidency Pahad, sport and recreation

minister Arnold Stofile and then deputy finance minister Jabu Moleketi.³⁹ City and province officials made a presentation which drew heavily on Standish's conclusions.⁴⁰

Gert Bam, the City sport and recreation head, and Rod Solomons, his then provincial counterpart, confirm it was agreed Athlone should be presented to FIFA because of, among other reasons, Green Point's high cost.⁴¹ The decision seemed set, but the LOC back-pedalled. Marsden, the City official responsible for 2010, states:

there were further meetings with the LOC to prepare the City of Cape Town for the FIFA presentation. It became clear in these meetings that the proposed Athlone Stadium would have to be redesigned as the seats behind the goalposts were considered unacceptable by FIFA.⁴²

The FIFA delegation, comprising inter alia director of competitions Jim Brown and then marketing director Jérôme Valcke, visited Cape Town on 18 October 2005. Mgoqi made a new presentation proposing Athlone.⁴³ Afterwards, the FIFA delegation, accompanied by LOC members, inspected the existing athletics stadium at Green Point, which Mgoqi had proposed as a training venue, and Athlone, but they did not inspect Newlands.⁴⁴

Platzky states that it was soon apparent FIFA did not want Athlone.⁴⁵ There were technical objections, such as Athlone's many seats behind the goalposts, but the 'best' location argument also featured:

They [FIFA] felt that hosting 2010 at Athlone or Newlands would undersell Cape Town's potential as a world-class venue for major events, tourism and investment. By contrast, they felt, Green Point Common was an ideal venue ... in relatively close proximity to the iconic Table Mountain and with views to Table Mountain and Signal Hill.⁴⁶

From Cape Town, the FIFA delegation left for Kimberley. According to Platzky:

Shortly after they landed in Kimberley Dr Jordaan of the LOC telephoned the premier [Rasool] and told him that the FIFA delegation were not convinced that Athlone should be a match venue and felt that Cape Town was underselling itself.⁴⁷

A month after the FIFA delegation's departure, Blatter himself was in Cape Town, hammering the same point. Platzky again:

On 22 November 2005 the premier went to the Arabella Sheraton Hotel to meet the president of FIFA Mr Sepp Blatter, who was visiting Cape Town for the first time. Mr Blatter had an appointment with the president Mr Thabo Mbeki later that day. Mr Blatter told the premier that he was most impressed by Cape Town's spectacular scenery and felt that it could be the 'face' of 2010. Mr Blatter mentioned Green Point as a wonderful venue for one of the 2010 semi-finals. Mr Blatter added that FIFA had severe misgivings about Athlone because the stadium could not be enlarged to accommodate the 50 000 seats needed for a quarter-final match, which was the best that Newlands could do ... On 23 November 2005 the minister in the presidency Mr Essop Pahad telephoned the premier and said that the presidency felt that Cape Town should consider proposing a semi-final match in a stadium with a capacity of about 65 000 at Green Point.⁴⁸

Solomons, the then provincial sports and recreation head, comments:

[FIFA's director of competitions Brown] was from the beginning not happy with Athlone. So they would've reported to Sepp Blatter. Because it is now clear that South Africa took a position that we were going to go with Athlone, the only person that could intervene here would have been Sepp Blatter, and the only person who he could talk to to overturn that resolution of South Africa would be the president of South Africa.⁴⁹

Blatter's argument was that Cape Town should host matches up to a semi-final rather than quarter-final as planned. Newlands and Athlone, he claimed, could not be upgraded to the 60 000 seats (65 000 including VIP and media) FIFA required for a semi-final. But, says Marsden, the likely cost of building a new stadium at Green Point was considered prohibitive. 'No further steps were therefore taken in this regard.'⁵⁰

Bam recounts that late the following month, December 2005, he was invited per chance to a meeting where Teral Cullen, a former SAFA marketing director then employed by the City to perform 2010 duties, and Rushj Lehutso, the City's then Chief Operations Officer, lobbied for Green Point. 'Teral Cullen was

adamant that the LOC is adamant Athlone Stadium is off the table.’ The initiative went no further at the time, says Bam, apparently as Mfeketo felt she could not support a change without referring it to her mayoral committee.⁵¹

Green Point it is

In the end, the venue was switched without any such reference to democratic structures and in a great hurry. Platzky states:

On 21 January 2006 the premier [Rasool] and the executive mayor [Mfeketo] attended a meeting and spoke in a break about FIFA’s and the presidency’s suggestion that the city consider proposing that Green Point be Cape Town’s 2010 venue.⁵²

Three days later, Rasool wrote to Mfeketo urging that a team should ‘get to work immediately’ on a presentation demonstrating Green Point’s feasibility and costs. It needed to be ready for a meeting with the LOC and national government three days later.⁵³

Marsden states that Cullen and Lehutso delivered the presentation at the Union Buildings on 27 January 2006. It was:

intended to enable national government, as represented by ministers Stofile and Pahad, to decide whether it would endorse FIFA’s desire to have the World Cup stadium located at Green Point.⁵⁴

Platzky states that the meeting agreed that the ‘board pack for the next LOC meeting should contain a proposal from the city for a semi-final stadium at Green Point’.⁵⁵ In her version, the formality of the proposal having to come from the City was preserved, even if imposed from above. Marsden maintains that the City:

did not at this meeting participate in any decision relating to the selection of Green Point as the preferred site for the stadium. The decision taken ... was that of national government and it was only subsequently accepted by the city.⁵⁶

To all intents and purposes, the decision in favour of Green Point had been taken. Worth noting is that this decision of ‘national government’ to ‘endorse FIFA’s desire’ was *de facto* a decision of members of the LOC – FIFA’s agent. Marsden, Platzky and Jordaan place Pahad, minister Stofile, Moleketi, Jordaan and an LOC technical and legal team at the meeting.⁵⁷ Each of the ministers and deputy minister also served on the LOC.

Nine days later, on 6 February 2006, deputy sport and recreation minister Gert Oosthuizen let the cat out of the bag. At a parliamentary media briefing he gave the list of proposed stadia – including Green Point.⁵⁸ Marsden states: ‘At this stage, the City of Cape Town had still not taken a decision that Green Point should be the site for the proposed stadium.’⁵⁹

The following day, Rasool and Mfeketo issued a hurried joint statement:

The Western Cape Provincial Government and City of Cape Town welcome this announcement. Yesterday’s statement concludes months of complex negotiations and discussions on what is best both for the development and future opportunities of the Western Cape and for World Cup 2010 in terms of stadia.⁶⁰

But the City had still not followed due process, which was a requirement, as host cities needed to enter into legal agreements with FIFA. With the LOC piling on the pressure, the municipal election looming on 1 March 2006 presented a gap. On 14 February, states Marsden, Mfeketo received a report from her officials seeking the authority to conclude host-city and stadium-use agreements with FIFA. The following day the LOC wrote, pressing the urgency: FIFA, it said, needed to review the agreements on 16 March and make its final selections. It needed signed copies at least two weeks in advance, while the LOC itself needed them by 22–23 February already.⁶¹

A day later, on 16 February, Mfeketo approved concluding the host-city and stadium-use agreements, the latter of which fixed the venue as Green Point. This she did without reference to her mayoral committee or council, as council had by then adjourned to allow for election campaigning. According to Marsden:

The council’s standing system of delegations authorised the executive mayor, in consultation with the City manager, to take decisions on behalf of the council or any of its committees.⁶²

In other words, this was a case of due process by default.

Mgoqi signed both agreements by 22 February.⁶³ Thus, Green Point was formally offered to the LOC and FIFA. It was approved by the LOC board on 24 February, states Jordaan, and forwarded to FIFA.⁶⁴

Was the hurry, in the final days of Mfeketo's administration, a deliberate strategem to pass an unpalatable decision? In mitigation, there was indeed a tight timeline. But the impression of date gerrymandering is reinforced by the timing of Blatter's subsequent signing of the host-city and stadium-use agreements.

When the LOC wrote in mid-February pressing urgency, it said FIFA needed to review the agreements on 16 March. In his affidavit, Jordaan gives the same reason: FIFA was to meet on 16 March, when the agreements 'could be considered'.⁶⁵ In a press statement, FIFA reported on the outcomes of its executive meeting, held on 16 and 17 March 2006. These included:

The ten venues for the 2010 FIFA World Cup proposed by the South African local organising committee, all of which have signed the required stadium and host city agreements, gained approval from the executive committee.⁶⁶

But an inspection of both agreements shows that Blatter signed at least the Cape Town agreements on 15 March 2006 – the day before the FIFA executive met to consider them.⁶⁷ As of that day, Cape Town was legally bound to deliver Green Point to FIFA – and not a moment too soon. That same day, 15 March, the DA's Helen Zille was narrowly elected as mayor, replacing the ANC's Mfeketo.

FULL CIRCLE TO GREEN POINT

If the reason for Blatter's precipitous signature was an apprehension that Zille would put a spanner in Green Point's works, it was well founded. On 27 March, when Lehutso presented a World Cup update to the new mayoral committee, Zille ordered a temporary halt to contracting for the stadium.⁶⁸

Zille soon commissioned a multidisciplinary study by Bayette Development Consulting and iKapa Enviroplan comparing Green Point with five alternative venues.⁶⁹ She explained on Dennis Davis's *You be the Judge*:

I assumed that if we're going to go into something like this, all the studies would be there, all the mathematics would have been done, all the costings and sums would be there. That actually hasn't happened. And I really think that we're going into Green Point because Sepp Blatter says: 'I like Green Point', not because it is the best thing for South Africans.⁷⁰

In July 2006 Zille received the results, the so-called Moolla Report, named after main author Zunaid Moolla.⁷¹ It gave cold comfort to Green Point supporters. For starters, it upped a R1,28 billion construction cost estimate in Cullen and Lehtso's Union Buildings presentation to R3,08 billion for a 68 000-seater stadium (R3,03 billion for a 48 000-seater), making it the most expensive of the six options compared. Athlone came out at R1,95 billion (R1,14 billion for 48 000 seats) and Newlands was cheapest at R1,13 billion (R776 million for 48 000 seats).⁷²

When Moolla weighed projected revenue, largely from World Cup visitor spending, against cost, Green Point fared second worst, showing a small surplus on a high-revenue scenario but otherwise in deficit by up to R2,39 billion. Athlone was in deficit only on a low-revenue scenario, while Newlands was consistently in surplus.⁷³

When area development need was considered, Athlone ranked second highest. Green Point and Newlands scored lowest. But when this development need was weighed against affordability, Newlands was back, scoring highest alongside Athlone. Green Point came in a distant last. Thus, the study rated Green Point socio-economically the least desirable of all six alternatives and Athlone or Newlands the most desirable.⁷⁴

A second part of the study narrowed the field to Green Point, Newlands and Athlone, as it considered it too late to negotiate land and gain statutory approvals for the other options.⁷⁵ And then: Newlands could probably not be upgraded beyond 55 000 seats⁷⁶ and FIFA was 'unlikely to approve' a 68 000-seater at Athlone.⁷⁷ If Cape Town wanted to host a semi-final, it had to be Green Point.

And a semi-final it had to be. Zille was later quoted as saying:

Whether a threat or not, the provincial and national governments have said that we must host a semi-final or we lose 2010. This is the choice that we face as a council.⁷⁸

In any case, the debate about alternative locations was largely academic after the day that Zille became the mayor and Blatter signed the contracts that bound the City. Zille announced on 20 July 2006 that Green Point would be it – subject to national government paying most of the costs. The City could afford no more than R400 million, she said.⁷⁹ Thus, the mayor confirmed the choice of the stadium which her own study said was the most expensive and least desirable.

THE PRICE OF A MATCH OR THREE

In her announcement, Zille cited Moolla's R3-billion-plus estimate. Rasool, by then a convert, responded in a statement that he was:

delighted and relieved that after weeks of indecision, the City of Cape Town has agreed with FIFA, the LOC and provincial government that Green Point is the best site.

But he added:

The mayor's estimation of costs is premature ... We will cut our suit according to our cloth.⁸⁰

How wrong he was.

In August 2006, Zille was quoted as telling the City council that the national treasury had asked that the price be slashed by 40 per cent, to about R2 billion. This was 'obviously a tall order, because we are convinced that the costings of the conceptual design are accurate'.⁸¹

On 31 October 2006, the City finalised a business plan to submit to national government.⁸² It brought the cost estimate down to R2,49 billion, saying *inter alia* that any 'gratuitous or excessive design features have been avoided'.⁸³ It asked national government for R2 billion, saying the province would contribute R100 million and the City R400 million – the latter, again, a 'maximum contribution'.⁸⁴

The plan painted a cost-benefit picture as bleak as Moolla's. Green Point, it said, would be R2,2 billion in deficit when cost was measured against largely tourism revenues. But it concluded:

The decision to rebuild the Green Point stadium needs to be a strategic and political decision rather than one that is based on the strict cost benefit analysis. The cost to Cape Town, the country and the continent of not building the stadium in Green Point and taking advantage of this prime position at this time is immeasurable.⁸⁵

Another official document released the same day contradicted the conclusion about wider benefit. The provincial department of environmental affairs and development planning's record of decision in favour of the stadium construction cited an economic assessment, part of the statutory EIA, which noted:

From a national perspective, a new 68 000-seat stadium in Cape Town ... is not a necessity for the country to host the 2010 soccer World Cup and would raise the already high opportunity costs of 2010 ... The larger stadiums are required only at the semi-final stage. Although a semi-final is earmarked for Cape Town, it could be played at stadia ... elsewhere in South Africa.⁸⁶

What remained, it said, was local benefit.

This assertion about local benefit echoed a calculation in the business plan, which pointed out that while the net value (i.e. revenue minus cost) was R2,2 billion in deficit, the City would 'experience a positive' net value if it contributed little enough – 8.4 per cent or less – to the costs.⁸⁷ On this line of reasoning, it would matter little that Green Point made no economic sense, as long as it was largely a gift from national government: a city-centric approach.

But the costs ballooned. When the City appointed contractors Murray & Roberts and WBHO in March 2007 after a tender, the approved cost was R2,86 billion.⁸⁸ Two years later, in March 2009, only R125 million remained in the kitty, according to a City report justifying extra expenditure.⁸⁹

A further R1,65 billion was needed, it said, consisting inter alia of 'increased sub contract costs' because of an 'overheated construction industry' (R569 million); 'unprecedented increase in escalation indices ... as determined by the Local Organising Committee' (R109 million) and 'complexities in the detailed design and construction of the concrete frame' (R442 million).⁹⁰

The 'overheated construction industry' was presumably in part a function of the World Cup building spree itself, as it raised demand. The R442 million

worth of extra work on the concrete frame was because the detailed design had not been done before the tender was awarded – one assumes because of the haste in which the process was concluded. Once properly done, it was apparent that major extra work was needed to stiffen the structure.⁹¹

Be that as it may, overnight Green Point Stadium's price tag had escalated to a monumental R4,51 billion.⁹²

National government had by then contributed R2,07 billion, with another R936 million approved, bringing its total to just over R3 billion. The province's contribution had doubled to over R200 million. The City had already spent R500 million, and now it allocated a further R708 million.⁹³ And so, as things stand, the stadium is costing Cape Town's ratepayers R1,21 billion – three times Zille's 'maximum' R400 million. At over a quarter of the R4,51 billion total, the City's contribution is also way over the 8,4 per cent which the business plan had said would be the limit were the stadium to make sense from a city-centric perspective.

With the benefit of a (presumably) final figure, another question can better be answered: What was the cost of the decision, following Blatter's intervention, to build Green Point rather than upgrade Athlone or Newlands?

Much of the rationale for the decision, one has to keep in mind, was that Athlone and Newlands allegedly could not be upgraded to the 65 000-seat minimum that FIFA specified for a semi-final. Green Point has been allocated eight matches, including the promised semi-final.⁹⁴ Had Cape Town chosen Newlands it would probably have staged six or seven matches.⁹⁵ With Athlone, FIFA may have carried out the threat, above, of reducing Cape Town's share to five matches. So Cape Town has one to three extra matches; a bigger share of the World Cup pie.

But at what cost? The last and most comprehensive comparative study was the Moolla Report, which estimated that upgrading Athlone or Newlands to 48 000-seat FIFA-compliant quarter-final venues would cost R1,14 billion and R776 million respectively – against Green Point's R3,08 billion for 68 000 seats.⁹⁶ If the Athlone and Newlands estimates are escalated by the roughly 50 per cent that ultimately took Green Point to R4,51 billion, their upgrades would have cost R1,67 billion and R1,14 billion respectively (see table 1).

Table 2: The cost of the decision to build Green Point rather than upgrade Newlands or Athlone (Rands million)

	Moolla estimate	Adjusted estimate	Green Point cost disadvantage
Newlands	776	1 136	3 370
Athlone	1 143	1 674	2 832
Green Point	3 076	4 506	

Source: Compiled by authors based on information sourced from note 96.

The staggering cost, in other words, of the decision to ‘buy’ Cape Town one to three extra matches was R2,83 billion (Green Point minus Athlone) or R3,37 billion (Green Point minus Newlands). This is the price of 56 642 or 67 390 low-cost houses at R50 000 each: homes for a quarter of a million people and more.

From a national perspective – arguably correct, as most of the costs are met by taxpayers nationally – it matters little whether those one to three matches were allocated to Cape Town, Durban or Johannesburg.

A second rationale for the decision was Green Point’s location: flanked by the mountain and sea near the touristy V&A Waterfront, it could be the ‘face’ of 2010. And yes, face matters. A 2008 Grant Thornton study claimed the World Cup would attract 487 000 visitors who would spend R8,5 billion, and 3 540 billion cumulative television viewers.⁹⁷

But presumably the best way to leverage this tourist bonanza-cum-mega-marketing opportunity is by staging a safe, efficient, spirited tournament. The same advantage could arguably have been achieved at a fraction of the cost if spent on better organisation, better security or a ‘visit South Africa’ ad campaign targeting the billions of cumulative television viewers (compared to half a million visitors). An ad campaign, in any case, is not subject to the same risk of miserable weather. The World Cup will be staged in June and July, the city’s wettest, coldest months.⁹⁸

Green Point’s R2,83 billion or R3,37 billion extra cost of course will be tempered – or aggravated – by the positive or negative legacy the stadium will leave post-World Cup.

A WHITE ELEPHANT ...

Two questions are key to the value of Green Point's post-World Cup legacy: Will it fulfil a pre-existing need? And will it be financially viable? There is grave doubt on both counts.

Necessity

Green Point will be the city's third major stadium after privately owned Newlands, which now has 48 000 seats,⁹⁹ and City-owned Athlone, which at the time of writing was in the final stages of being upgraded to a 24 200-seat FIFA-compliant World Cup training venue consistent with its 'home of soccer' status. On completion this will have cost as much R400 million (including the original R200 million upgrade).¹⁰⁰

Green Point could be deemed necessary were Newlands and Athlone to sell out regularly, meaning extra capacity is needed. But neither the October 2006 business plan nor the contemporaneous EIA economic study gave such comfort. According to the former, football and rugby were 'the key stadium markets'. But local football teams 'typically attract crowds of less than 1 000', with maximum crowds of 'around 15 000' when major opponents were played. Rugby at Newlands averaged about 30 000 spectators.¹⁰¹

The EIA economic study said a broad review indicated 'excess capacity ... in all of Cape Town's larger stadia' apart from the old Green Point athletics stadium (a function which the new stadium will not replicate). The new stadium would thus 'potentially risk displacing events away from Cape Town's existing stadia'.¹⁰²

It appears inevitable that with no pressing need in its core market, Green Point's sustainability, if achieved, will be at the expense of Newlands and Athlone. To the extent that Green Point saves itself by taking matches away from them, they will become redundant. If that is the fate of Athlone, local business might ask why a development opportunity had been handed them only to be reallocated to well-off Green Point; Cape Flats soccer fans might ask why they need to travel further to see their favourite teams in action; and ratepayers might ask why up to R400 million was spent to upgrade an uninhabited 'home of soccer'.

Viability

In September 2009 former deputy finance minister Moleketi (who remained on the LOC) was asked about the sustainability of the World Cup stadia. He was quoted as saying it depended on how they were managed. ‘If we don’t get that right then these facilities will be perpetually subsidised by the ratepayer.’ And conceded: ‘There are a number of people who are – who think we might be in trouble ... I know. I’m trying to be very optimistic here.’¹⁰³

Even before Green Point’s first sod was turned, planners struggled with the question of its post-World Cup viability. The City’s October 2006 business plan envisaged three scenarios:¹⁰⁴

Base scenario: Green Point hosts ‘special soccer and rugby matches’ (i.e. not Athlone and Newlands’ bread-and-butter matches) and non-sporting events such as music concerts. This results in an operational position ranging between R6 million loss and R1,6 million profit per year between 2011 and 2013.

High scenario: Western Province Rugby, based at Newlands, moves with its matches to Green Point, ‘a purely speculative scenario’. Operational profit ranges about R10 million to R19 million during the same three years.

Low scenario: Only special football matches, but no rugby matches, are staged. Operational loss ranges between about R4,5 million and R5,5 million per year.

This model demonstrated clear operational viability only if Newlands were made redundant and its activities displaced lock, stock and barrel to Green Point. The City commissioned Price Waterhouse Coopers (PWC) to review the figures. Reporting in January 2007, two months before the contract to build the stadium was signed,¹⁰⁵ PWC revised the projections mostly downwards.¹⁰⁶

Although PWC reconfirmed profitability on the high scenario, it warned that this scenario was ‘unlikely at this stage and should be disregarded’.¹⁰⁷ Unless there was non-core commercialisation – an action arena, offices, hotel or casino were suggested – even the base scenario was ‘highly unlikely’.¹⁰⁸ Failing this, the low scenario – in deficit by R6,3 million to R7,7 million a year – was the most likely.¹⁰⁹ PWC recommended: ‘The usage of the stadium after 2010 should be defined as soon as possible.’¹¹⁰

And so, when construction started in March 2007,¹¹¹ the City was on notice that Green Point would be clearly in the black only if Newlands were made redundant.

In May 2008 the City issued a tender for a private operator for the stadium. There were only three bids, of which one was regarded as non-compliant. The tender evaluation committee selected a consortium of local sports management company SAIL and French operator Stade de France (SAIL StadeFrance) as winning bidder, among other reasons because it had offered the City ‘a guaranteed minimum income stream and revenue sharing model yet at the same time accepting most of the financial risk’.¹¹²

An examination of the contracts subsequently negotiated with SAIL StadeFrance suggests the upside was exaggerated and the downside understated. The City was in a weak bargaining position arguably because of the stadium’s doubtful viability.

A first contract appointed SAIL StadeFrance as facility manager between January 2009 and October 2010, i.e., for the lead in and during the World Cup – at a fee of R110,5 million.¹¹³ Although not a recurring expense and perhaps not a measure of viability, it does mean the City’s already very high cost of ownership is raised significantly.

Two subsequent contracts are lease agreements: SAIL StadeFrance hires the stadium and the adjacent urban park as of November 2010 for 30 years, renegotiable after ten years.¹¹⁴

Under the stadium lease agreement, SAIL StadeFrance will operate the stadium for its own account. During the initial ten-year period it will pay an annual rental of whichever is higher: R1, or 30 per cent of pre-tax profit less the municipal rates due to the City.¹¹⁵ On the face of it the City will get less than one third of the upside, but will at least be covered against any burden were the stadium to run at a loss. However:

The City has to insure the stadium at full replacement value.¹¹⁶ Calculated at 0,08 per cent of R4,51 billion, this is R3,6 million a year.¹¹⁷

For each of the first three years the City will allocate R3 million to market the stadium.¹¹⁸

The City will ‘use its best endeavours to channel current and future events’ to the stadium.¹¹⁹ This raises the risk of matches being displaced even from City-owned facilities like Athlone, which would become less viable.

SAIL StadeFrance has to maintain and clean operational elements of the stadium, but this is capped at R5 million per annum. The City will bear any surplus – as well as having to maintain and clean all structural elements in-

cluding the high-tech glass, steel and polyester roof and the fibre, steel and composite-panel façades.¹²⁰

A projection attached to the contract calculates the operational maintenance (for which SAIL Stadelfrance is responsible) at between R3,3 million and R5,5 million a year during the first five years,¹²¹ meaning there is little or no margin before the City will have to pick up the excess above the cap. City 2010 technical director Dave Hugo responds:

Our projections are R5-million, it's what we consider to be reasonable. So we don't expect it to go over that but if it does the City is going to have to contribute, that's the bottom line.¹²²

The structural maintenance, for which the City is entirely responsible, arguably holds much greater financial risk. Hugo envisages no immediate impact:

For a structure that size you will have virtually no structural maintenance for the first ten, twenty years ... In thirty, forty years when the roof needs to be replaced, that's an area that we have not even ventured into yet.¹²³

A prudent approach requires a portion of revenue to be set aside annually to cover those eventualities. If all elements of the stadium need to be replaced every 100 years on average, a theoretical one per cent of the capital cost needs to be set aside yearly. For a stadium costing R4,51 billion, that would be R45 million a year.

Hugo concedes such expenses remain unbudgeted:

We had to raise the issue of replacement of capital cost with national, and we will continue to raise that with national ... When you get to that magic year which we don't know what it is, when the entire roof has got to be replaced or something like that ... you know what's that going to be and what the impact on your rates will be?¹²⁴

If national comes to the party, taxpayers will pay. If not, ratepayers will. The result: except to the extent that the less than a third of SAIL Stadelfrance's profits payable as rent will make up for it, the stadium will not be viable; it will be a white elephant.

But will SAIL Stadelfrance have profit to share? Rugby great Morné du Plessis of SAIL Stadelfrance says:

The sustainability of the stadium will depend largely on an ‘anchor’ team or teams that can give the stadium ten or twenty events a year ... A supplementary events strategy will be built around this anchor team/teams to ensure another ten-plus major stadium events.¹²⁵

The most desirable anchor, because of its relatively large spectator figures, is Western Province Rugby. But in July 2009 the Western Province Rugby Football Union (WPRFU), its majority shareholder and owner of Newlands Stadium, said in a statement it had decided against moving.

There is no debt on the stadium [Newlands] ... After investigation it was decided that the commercial case as a tenant [at Green Point], presented at the time, was not more beneficial.¹²⁶

WPRFU chief executive Theuns Roodman was subsequently quoted as saying the decision was taken near-unanimously by WPRFU’s member clubs.

If we sold Newlands and knocked it flat, it wouldn’t make sense to spend our capital on leased premises... It’s like taking the profit from selling your house and putting it into someone else’s house.¹²⁷

As Green Point Stadium neared completion, the recruitment of any other anchor team remained uncertain. SAIL Stadelfrance’s Du Plessis was quoted as saying the company was ‘in tentative talks’ with Cape Town’s two Premier Soccer League (PSL) clubs, Ajax and Santos.¹²⁸ But the fact of their historically low spectator counts, drawn in any case from areas closer to Athlone Stadium, begs the questions whether they would want to play in a stadium of Green Point’s size, and if they did, whether it would make Green Point viable.

A Grant Thornton analysis underlying the 2006 business plan noted that Ajax, then more popular than Santos, drew a paltry 2 300 to 4 230 spectators on average per match the preceding three years.¹²⁹ Ajax, it said, had indicated that it would like to play only matches with an attendance of over 10 000 at Green

Point, as smaller crowds ‘would be unlikely to create a suitable atmosphere’. Only one match per season drew over 10 000 spectators.¹³⁰

And so, it remains to be seen how SAIL Stadefrance will turn a profit, let alone profit enough to cover the City’s downside. Says Solomons, the former provincial sport and recreation head:

Let me make a prediction ... That thing is going to be a white elephant. That thing is going to be a white elephant because Newlands rugby is not going to move there and soccer unfortunately is never going to attract games where that stadium is going to be full.¹³¹

TEAM FIFALOCSAFA 15, TEAM SA -30

Contrary to some perceptions, FIFA and the LOC do not contribute financially to the stadium infrastructure, although the LOC pays host cities a fraction of ticket revenue as ‘rental’.

The stadium-use agreement between Cape Town, FIFA and the LOC promised 10 per cent of net ticket revenue to the City. The City in turn had to build the stadium in accordance with FIFA’s ‘highest applicable technical, security and commercial requirements’.¹³²

The stadium is costing R4,51 billion. R1,21 billion is from the City. How much rental does the City get? The LOC projected total net ticket revenue of roughly \$350 million (R2,54 billion at R7,25 to the dollar) in October 2009.¹³³ Divide this by Green Point’s share of the total supply of match-seats and take 10 per cent of the result, and one has the very rough estimate of R37 million rent – 3 per cent of the City’s expenditure on the stadium, or about a third of the R110,5 million it is paying SAIL Stadefrance to run it before and during the World Cup.¹³⁴

Table 3: Rough estimate of City ticket revenue (Rands million)

National net ticket revenue	Green Point % share	Green Point net ticket revenue	City revenue @ 10%
2 538	14.69%	373	37

Source: Compiled by authors based on information sourced from note 133.

A similar situation pertains nationally. The 2009 budget estimated that national government would contribute R11,5 billion to stadium construction.¹³⁵ This

excludes provincial and City contributions. If adjusted by the same contributions ratio that is applicable to Green Point, the three tiers of government together are spending R17,25 billion. Now double this to more than R30 billion to include World Cup-specific telecommunications and transport infrastructure, training venues, security, etc.¹³⁶ Against this (if the same 10 per cent share as in Cape Town applies), all host cities together will get ticket revenue of roughly R254 million.

What do FIFA, the LOC and SAFA get?

In a November 2007 interview published on FIFA's website, LOC CEO Jordaan said that FIFA had by then signed 2010 World Cup contracts worth \$3,2 billion (R23,2 billion at R7,25 to the dollar) – the highest yet for a World Cup – and that the figure could grow to between \$3,5 billion and \$4 billion. This was despite 'widely voiced reservations that ... no African country could guarantee that kind of revenue'.¹³⁷

A FIFA spokesperson confirms the \$3,2 billion revenue, saying it derives from the sale of television rights (about \$2 billion), marketing rights (about \$1 billion), hospitality rights and licensing. She says FIFA budgeted to spend \$1,08 billion (R7,83 billion) on the World Cup, including on organisational overheads, television production and prize money, etc.¹³⁸

The result? If FIFA is on budget, the contracts already signed will bag it a staggering \$2,12 billion (R15,37 billion) operational profit for the South African World Cup. If more rights are sold, as Jordaan predicted, it could get significantly more.

The LOC has \$423 million (R3,07 billion) to pay for its own organisational overheads, participating teams' expenses, etc.¹³⁹ \$200 million is funded from ticket revenue and the rest directly from FIFA, says LOC CFO Farouk Seedat. Any further ticket revenue – an early estimate is another \$150 million (R1,09 billion) – will be split between FIFA and the LOC. Once the LOC closes its books, any surplus will accrue to SAFA.¹⁴⁰

Although the LOC is not an ultimate beneficiary, it will have maintained itself in style with perhaps R3,5 billion flowing through its coffers. It will have scored. If even a fraction is left over for SAFA, it will have scored. FIFA, with its R15 billion-plus surplus, will certainly have scored; it can sustain itself until the next World Cup and build reserves. For South Africa, the investment of R30 billion-plus will bring a direct return of a few hundred million rands in

stadium rentals. Whether the vaunted tourist and investment bonanza will make it all worth it only time can tell.

CONCLUSION

Whether South Africa's mega-investment in the World Cup ultimately pays off remains to be seen. What is clear is that in Cape Town a choice was made for a stadium that will cost in the region of R3 billion more than two alternatives, for which there was no pre-existing need, and which will probably be a white elephant. The public will not only bear the direct costs; it may well have to subsidise the new stadium for a long time to come.

Against Green Point there were Newlands, which would have been the most affordable, and Athlone, which would have provided the best development value. In the end, neither value for money nor development value triumphed.

Bam, the City's sport and recreation director, maintains Athlone would have been the optimal choice:

The opportunity cost is huge; huge because we are spending billions of rands in this area of the city [Green Point] whereas half of that money would have led to a total transformation of the Cape Flats ... that, for me, is the real tragedy, that we have not used this mega event in Cape Town to contribute to development.¹⁴¹

How did this happen?

As the business plan for Green Point admitted, it was a 'strategic and political decision rather than one that is based on [a] strict cost benefit analysis'. But the alleged strategic advantage of Green Point was an idea perpetuated by FIFA and the LOC in the face of opposition from local decision makers.

Where national government got involved it often deferred to the LOC. This was most crucially so when Blatter's intervention set in motion a train of events culminating in a meeting at the Union Buildings where 'national government' – in fact LOC officials and a number of ministers, each who also served on the LOC – effectively made Cape Town's Green Point decision for it.

The LOC was formally a creation of SAFA, together with which it is accountable to FIFA. The LOC tail appears to have wagged the government dog.

It should not have done so. FIFA, the LOC and SAFA's interests are best served by stadia that will attract the maximum number of spectators and television viewers during the tournament.

Significantly it was the LOC and SAFA, whose revenue and potential surplus derive directly from ticket sales, who had the most to gain from a strict compliance with FIFA's minimum stadium-size prescripts. This arguably increased the LOC's enthusiasm as FIFA's enforcer when it came to questions about stadium capacity, which in turn was used as the key argument in favour of Green Point.

Had government balanced the roughly R3 billion extra cost implication against a realistic analysis of the economic benefits and against the background of its own long-term development goals, it may well have concluded that Green Point was an unaffordable luxury. It could have tried to negotiate a stadium-capacity waiver, or it could have dropped the idea of a semi-final for Cape Town altogether. Had it not abdicated decision making to the LOC, where its own ministers were bound by what Jordaan called 'the critical question ... whether the proposed stadia meet the FIFA requirements', the construction of an expensive white elephant may have been averted.

Professor Denver Hendricks, director-general of the national department of sport and recreation between 2000 and 2006 and now a specialist in sport and development at the University of Pretoria, argues that government should have attempted to negotiate

a much more moderate World Cup, an African event ... Remember, the initial estimate for the stadiums was something like R1,8 billion; I think we are closer to R18 billion now ... Did we invest that money wisely? If these buildings in the long run are going to cost you more money to maintain, shouldn't we have built houses and factories and things like that, that could have had longer term benefits for our people and our country?¹⁴²

NOTES

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- 27 A similar argument is made by Bayette Development Consulting in *2010 FIFA Soccer World Cup evaluation of alternative venues*: 'FIFA ... prefers locations that are in close proximity to accommodation facilities, shops, restaurants and cafes and other services as well as offering visitors safety and security. The construction of a stadium on the other hand, offers some generative potential for local area development and if linked to existing CoCT [City of Cape Town] programs for physical/environmental renewal it could be leveraged for additional economic benefits. In selecting a venue decision makers will have to consider how to balance the city's needs and FIFA's requirements' 43.
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- 58 Platzky, affidavit, para 51; Marsden, affidavit, para 101.

- 59 Marsden, affidavit, para 101.
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- 63 Marsden, affidavit, para 108.
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- 65 Jordaan, affidavit, para 12.8.
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