

**NATIONAL ASSEMBLY**  
**QUESTION FOR ORAL REPLY**  
**QUESTION NUMBER 103**

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**Mr N J J van R Koornhof (COPE) to ask the Minister of Finance:**

Whether he has been informed by the Treasury what the projected shortfall will be of each of the respective new stadiums for the Fifa Soccer World Cup tournament in 2010; if so, how will each of the host cities fund this shortfall?

NO1437E

**REPLY:**

National Treasury has informed me of the projected shortfalls for the 2010 FIFA World Cup stadiums.

The total shortfall on the six new stadiums is R 2.33 billion as of July 2009. This amount is made up as follows:

- Soccer City: R 1.26 billion
- Green Point: R 493 million
- Moses Mabhida: R 92 million
- Nelson Mandela: R 397 million
- Mbombela: R 3.4 million
- Peter Mokaba: R 83 million

The procurement process and preparation of the tenders for the stadiums was performed by the Host Cities and the cost overruns are due to the high levels of provisional sums in the tenders that were awarded in December 2006. Three stadium tenders contained provisional sums in excess of 50 % despite National Government allocating R241.5 million to Host Cities in financial year 2005/2006 to enable them to plan, cost 2010 FIFA World Cup projects and reduce the risks associated with a project of this magnitude.

With regard to the rising project costs, it is necessary to bear in mind that contractual responsibility rests with the Host Cities and their professional teams. It has become evident that costs have been more effectively contained in some stadium projects than in others, mainly through the detailed specifications set at the onset of the projects and the use of fixed-price financial judgment and control. It would clearly be unreasonable for the national *fiscus* to take on the full responsibility for reimbursement of rising costs in respect of substantial parts of the project over which only the Host City exercises financial control.

Only one of the new stadiums is likely to be completed within budget. The provisional sums at the time of tender on this stadium were less than 25 % and a fixed price contract was entered into with the construction contractor.

To assist the Host Cities to meet their shortfalls National Treasury introduced an interest subsidy on loans taken to fund the shortfalls. The interest subsidy will be paid in the financial year 2009/2010 and 2010/2011. The amounts are presented in the 2009 Division of Revenue Act.

With National Treasury assisting with the interest subsidy for the above period, it will give the Host Cities time to develop the necessary business models for the stadiums and generate income to continue servicing the debt. It is imperative that Host Cities develop and implement the right business models to ensure sustainability of the stadiums after the 2010 FIFA World Cup.